Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.900	Iran	[illegible]	Philippines	Peso30
Belgium	BFr65	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2500	Portugal	Esc175
Czech	Kcs35	Jordan	JD1.30	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2050	S Arabia	SR9.00
Egypt	E£3.50	Kuwait	Fils500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr12
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft162	Nigeria	Naira15	Tunisia	Din0.800
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

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SOUTH AFRICA

Inching along the path to democracy

Page 4

World News

Yugoslav republics to decide on EC recognition

The six Yugoslav republics will decide today whether to seek recognition from the European Community, following agreement between EC foreign ministers in Brussels last week.

Meanwhile, Croatia said it had agreed Christmas truces with the Yugoslav federal army on two of the main battle fronts of the civil war. But a similar truce in another area arranged on Saturday was almost totally ignored and fighting went on unchecked. Page 12

Five killed in Ulster

Five people were shot dead in Northern Ireland by Protestant and Republican gunmen in a series of "tit-for-tat" killings over the weekend.

Nationalist victory

Taiwan's ruling Nationalist party won a comfortable victory over its main rival, the Democratic Progressive party, in elections for the National Assembly. Page 4

Mitterrand poll blow

French president François Mitterrand's opinion poll rating has hit a new low. Only 22 per cent of voters are satisfied with his performance, while 65 per cent are dissatisfied, according to the latest IFOP poll. Page 2

Mideast peace talks

Israel has agreed that Middle East peace talks, due to resume on January 7, may take place in Washington. Israel seeks to defuse criticism over raid, Page 4

Vote on Wagner music

The Israel Philharmonic Orchestra has postponed plans to end a 53-year ban on Richard Wagner's music, which still haunts survivors of the Nazi holocaust, while it asks *subscribers for their views.*

Florence bans cars

Florence will be closed to private cars during the day throughout January in an attempt to combat worsening air pollution.

Air crash kills 26

Up to 26 people were feared dead when a 50-year-old DC-3 aircraft on a tourist flight crashed into a wood in fog near Heidelberg, southern Germany. Four people survived.

Chaos in French Alps

A tourist was killed and thousands of motorists stranded as heavy snow paralysed the French Alps. The tourist died when an avalanche swept through an apartment in La Plagne. Another avalanche injured four people in Val d'Isere. Heavy rain, snow and avalanches also caused traffic chaos in Austria, stranding thousands of holidaymakers.

Gulf states back aid plan

Finance and foreign ministers from the six-member Gulf Co-operation Council have approved plans for a $10bn development fund to aid other Arab states. They were meeting ahead of a summit of their leaders in Kuwait today.

Three killed by bomb

Three people were killed and 40 injured when a bomb exploded in a New Delhi flea market. Police said Punjab militants could be involved.

Albanian election date

Albanian president Ramiz Alia has proposed general elections for next March 1 and hinted that he might step down soon, saying he did not believe he was the only politician who could do the job.

Elephants kill four

Wild elephants trampled to death four people when residents tried to scare away a herd rampaging through their village in the central Indian state of Madhya Pradesh.

Business Summary

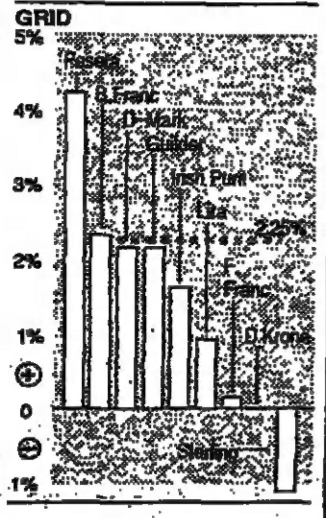
Japan plans more bond issues to raise revenue

Japan will sharply increase the issue of government bonds next year to make up for a shortfall of revenues caused by slack economic growth, according to the Ministry of Finance. The plan for increased deficit financing is part of a Y72,218bn ($564bn) budget proposal for fiscal 1992, beginning in April. Page 12

MAXWELL Communications Corporation directors have been barred by a UK High Court judge from asking a US bankruptcy court in New York to grant them control of the company's US assets. Page 13

EUROPEAN Monetary System: Tensions inside the ERM increased last week after the Bundesbank surprised the markets with a ½ point rise in German interest rates. The D-Mark, Dutch guilder and Belgian franc all gained in strength, while sterling was further adrift from the other currencies on the growing belief that the UK government will not allow interest rates to rise. Currencies, Page 23

EMS December 20, 1991



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

FLORIDA state insurance regulators are suing Merrill Lynch, the Wall Street brokerage house, over its involvement with Guarantee Security Life Insurance, a small insolvent life company. Page 13

EASTERN Europe faces a second economic shock in 1992, with the Soviet economy virtually collapsing amidst hyperinflation and political turmoil, according to a new forecast by Morgan Stanley, the US merchant bank. Page 2

JAPAN may bow to US demands for a contribution to an $8.25bn scientific research project in order to ease bilateral economic frictions in advance of President George Bush's visit to Tokyo next month. Page 4

AMERITECH, fourth largest US regional telephone company, announced that it will take a $140m after-tax restructuring charge against fourth quarter earnings. Page 15

GERMAN government commission has recommended far reaching changes in the structure of the county's railway system in order to cut the heavy burden of state financial support. Page 2

CONROY Petroleum and Natural Resources, an Irish exploration group, appears to have temporarily forestalled efforts by two major foreign mining companies to take control of one of Europe's major zinc and lead deposits. Page 14

Violence flares as rebels attempt to capture Georgian president

11 Soviet republics agree to end union

By John Lloyd in Moscow and **Gillian Tett** in Alma Ata

RUSSIAN red white and blue flags yesterday began replacing red Soviet banners in embassies round the world following the creation of the Commonwealth of Independent States as the successor of the Soviet Union.

Members of the staff of Mr Mikhail Gorbachev, the Soviet president, were reported moving out of their offices.

At the same time, in Tbilisi, capital of Georgia, the only former Soviet republic not to accede to the Commonwealth apart from the three Baltic republics, fighting flared up yesterday round the Supreme Soviet in the centre of the city. Rebel national guardsmen attempted to storm the building and to capture Mr Zviad gamsakhurdia, the president.

At least 10 people were reported killed and 50 wounded, including Mr Roman Gvantsadze, a deputy interior minister. Fighting resumed last night after a brief truce.

Agreements signed by 11 of the remaining 12 Soviet republics in Alma Ata, capital of Kazakhstan on Saturday, apparently give effective control of the Soviet Union's nuclear arsenal to Mr Boris Yeltsin, the Russian president.

However, the protocols and agreements say nothing about the common mechanisms of economic policy and reform between the republics apart from pledging "allegiance to the formation and development of a common economic space".

There is as yet no agreement on a common raising of prices, planned by the Russian government on January 2.

Mr Yeltsin, the dominant force in Alma Ata, said on his return to Moscow yesterday that the rouble would remain the common currency – in spite of statements by Ukraine that it would introduce its own currency in the middle of next year, and by Belorussia that it would introduce coupons – only valid within Belorussia – to replace up to 60 per cent of the value of all pay packets.

Mr Andrei Nechayev, the Russian first deputy prime minister, said before the presidential summit that Russia would move over to world prices for inter-republican transactions in the new year. It would also keep republican budget deficits to a maximum of 3 per cent and interest rates high by using its effective control of the former Union financial and banking institutions.

The four states with strategic nuclear weapons – Belorussia, Kazakhstan, Russia and Ukraine – keep joint control of these weapons until, as envisaged in one of the agreements, all except the Russian weapons are destroyed or moved back to Russian territory by July 1992.

Belorussia and Ukraine have contracted out decisions on their use to Mr Yeltsin.

Marshal Yevgeny Shaposhnikov, the Soviet defence minister, remains at the head of the military until December 30, when a further meeting of republican presidents in Minsk, the Belorussian capital, will attempt to agree the future of the armed forces.

Mr Yeltsin said a committee would be set up to establish joint control of the common borders. But Mr Leniod Kravchuk, the Ukrainian president, said that Ukraine would guard its own borders.

The Commonwealth will not be a sovereign state. Nor will it bestow citizenship.

Mr Yeltsin said Mr Gorbachev should be allowed to retire "with dignity".

In an interview yesterday with CBS television, Mr Gorbachev said he would study the documents, ensure the Commonwealth was "a reality" and "within a few days I will make my decision".

A spokesman said Mr Gorbachev might make a farewell television address – a medium he has used many times during his leadership.

Hazardous journey, Page 2

Russian president Boris Yeltsin in characteristically confident mood before signing yesterday's agreement in Alma Ata for the establishment of a Commonwealth of Independent States. Nursultan Nazarbayev, president of Kazakhstan, looks on

US doubts success of commonwealth

By Lionel Barber in Washington

THE Bush administration has serious doubts over whether the proposed Commonwealth of Independent Republics can succeed as a co-operative defence alliance with joint economic policies, according to senior US officials.

This bleak assessment of the commonwealth's prospects for long-term survival is expected to be reinforced by Mr James Baker, US secretary of state, who returned to Washington at the weekend after a seven-day tour of the old Soviet Union.

Mr Baker will brief President George Bush this week, focusing on proposed arrangements for the central command and control of nuclear weapons, the timetable for US recognition of the new commonwealth members, and prospects for economic reform.

He returned from the Soviet Union struck by the general lack of understanding among the leaders of the commonwealth members about what is required for serious political and economic reform.

Doubts in the Bush administration about President Boris Yeltsin's political judgment intensified after the Russian leader's humiliation of President Mikhail Gorbachev and his power-grab of the central government's remaining assets.

Although Mr Yeltsin was said to be sericus about reform, US officials reported that he failed to use the meeting with Mr Baker to persuade the secretary of state of his seriousness regarding reform. Instead, Mr Yeltsin focused on Russia's place in the world. This included a request that Russia should assume the Soviet Union's seat on the UN Security Council, as agreed by republican leaders at Saturday's Alma Ata conference.

A senior US official told reporters travelling home with Mr Baker: "Whether there is a commonwealth or not, we are going to be dealing with sovereign, independent nations. Instead of dealing with one foreign minister, it might well end up being 12."

Political leaders in Russia, Ukraine, Kazakhstan and Belorussia – the four-nuclear armed republics – gave Mr Baker assurances that the nuclear weapons would be subject to a unified command.

But US officials are is not treating them as iron-clad until US experts verify the situation on the ground under rules laid down by the Strategic Arms Reduction Treaty signed this year.

Doubts about the commonwealth, and renewed US scepticism about the prospects for economic reform are certain to limit the scope of the international conference on aid to the Soviet Union due to take place next month in Washington.

Several western officials in Washington said the meeting risked becoming little more than a forum for co-ordinating humanitarian aid already in the pipeline.

Mr Jacques Delors, the European Commission president, said he would today recommend that representatives of the 12 European Community member states attend the conference, even though there has been growing tension between Washington and Brussels over sharing the burden of aid to the former Soviet Union.

Agricultural funds row threatens deadline to Gatt talks

By David Gardner in Brussels and **Nancy Dunne** in Washington

THE European Community is set to demand today the reopening of farm talks as part of the much-delayed world trade reforms, making it almost impossible to seal a pact by next month's deadline.

The move follows the breakdown on Friday of farm subsidy talks between the Community and the US, and the presentation of draft recommendations from Mr Arthur Dunkel, the director-general of the General Agreement on Tariffs and Trade.

At the end of a two-day summit between the 12 and the US on Saturday, EC officials rejected the agricultural proposals in Mr Dunkel's formula to conclude the five-year-old Uruguay Round of the Gatt. The EC, which sees the formula as leaning too far towards the US, accused Washington of withdrawing from partial agreements reached in six weeks of intensive talks to settle the farm issue.

Trade negotiators are scheduled to return to Geneva on January 13 to determine the fate of Mr Dunkel's 436-page proposals, dubbed the Uruguay Round's "final act".

Commenting after the EC's response to the plan, Mr Ray MacSharry, the EC agriculture commissioner, said: "We are a political and economic force in the world, and one that is expanding. We are not going to be walked over by anybody."

Mr James Baker, US secretary of state, acknowledged the failure to agree on farm subsidies but said "we have made extensive progress in other areas."

US observers in Geneva said the US had yet to come to terms with its need to deal with a more powerful Community. "We need to get the rules down in writing before the EC becomes unmanageable", said one.

Mr Harry Freeman, a US trade lobbyist, said the US was "frustrated and disappointed with the rest of the world, but in particular, the EC."

The Emergency Committee for American Trade, a group representing the leaders of the 63 largest US companies, noted "significant liberalisations", but expressed "considerable disappointment" that a num-

Continued on Page 12

Background, Page 3
Editorial Comment, Page 10

Ford says UK plants trail rest of Europe

By Kevin Done, Motor Industry Correspondent

FORD'S UK car and van assembly plants still lag far behind the productivity of the company's continental European plants in Germany, Spain and Belgium, according to a report by the US carmaker.

Despite lower UK wage rates, Ford's unit labour and overhead costs for producing vehicles in the UK are also substantially higher than at its other European plants.

The disclosure confirms the scale of the challenge facing the European motor industry in the 1990s as Japanese carmakers establish a first wave of assembly plants in Europe led by Nissan, Toyota and Honda in the UK, and Mitsubishi Motors in the Netherlands.

As the dominant market leader in the UK, Ford will be most directly in the firing line as the Japanese carmakers seek to increase their market share in Britain from their UK assembly plants.

According to the confidential report, Ford's Halewood plant in Merseyside still required 41 per cent more hours to build an Escort this year than the company's Saarlouis assembly plant in Germany.

Alarmingly, both Ford's UK and continental European plants are still far behind the productivity levels of equivalent Japanese assembly plants.

Ford's British operations, including Jaguar, made a pre-tax loss of £274m ($499m) in 1990, its first pre-tax loss in 20 years, and the company warned in October that its "1991 results will be very bad – far worse than 1990".

Ford of Britain was the mainstay of Ford of Europe's profitability in the late 1980s, but its profits have collapsed in the face of:

- The severe recession in the UK new car market.
- The higher cost of making vehicles in Britain.
- The severe problems encountered at Jaguar, the UK luxury carmaker it took over for £1.6bn at the end of 1989.

Ford feels the drag, Page 5

Williams fails in Racal bid

By Roland Rudd in London

WILLIAMS Holdings, the British industrial conglomerate, has been decisively defeated in its £700m-plus ($1.27bn) takeover battle for Racal Electronics.

When the bid closed at noon yesterday Williams announced it had only 25.8 per cent acceptances. It already owned 9.95 per cent of Racal.

However, Williams is likely to remain Racal's biggest shareholder for some time. It yesterday reiterated its doubts about whether the company would be able to realise its full year pre-tax profit forecast of more than £50m for 1991.

The three-for-20 share offer, plus 10p per Racal share, suffered from a falling market which at one stage during the bid wiped more than £100m off Williams' original £750m offer.

At the end of last week, when most institutional investors made up their mind, the bid was worth £780m.

Background, Page 13

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THE MONDAY INTERVIEW

As the tide of repossessions rises, Sir George Young, UK housing minister, has been charged with the task of convincing the 3.7m families tempted into home ownership since 1979 that they have not been abandoned to their fate by the Conservatives
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FORTHCOMING FT SURVEYS

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Kenya : Tough economic and political challenges ahead.

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■ JANUARY 23:
Cheshire : Seeking to encourage a wider spread of wealth.

■ JANUARY 24:
Personal Finance Quarterly Review : A pre-election look at 1992 prospects for investors.

Reforms will trigger ominous rates of unemployment

Eastern Europe 'faces second economic shock'

By Anthony Robinson, East Europe Editor

AFTER two tough years of economic reform, eastern Europe faces a second economic shock in 1992, and the Soviet economy will virtually collapse amid hyper-inflation and political turmoil, according to the latest economic and political forecast for the region by Morgan Stanley, the US merchant bank.

Giving what he called "a cry of alarm", Mr David Roche, senior analyst for the region, added: "Eastern Europe faces a new crisis because its reforms will lead to ominous rates of unemployment rather than economic growth next year."

The former Soviet Union faces "at best a Bonapartist, at worst an anarchic" outcome because reform has not started and "the ex-communist democrats don't have a mandate", he added.

"The west will try to buy its own security in the Union of *Sovereign States* (USS) by influencing events it cannot control with aid of between $18bn to $30bn per year for the foreseeable future. This will add around 0.2 per cent to real interest rates," the report predicts.

"But this will be insufficient to do anything but stave off starvation. It would take at least $100bn a year, or 0.5 per cent on western interest rates, to start tackling the deep-rooted structural problems which afflict all sections of the Soviet economy," Mr Roche added while presenting the report.

Describing 1992 as eastern Europe's "year of living dangerously" the report offers a much bleaker forecast than last week's OECD report.

Morgan Stanley warns of an approaching "calamity" which can be avoided only "if the west recognises that *laissez faire* reform will not produce minimal prosperity within a politically feasible time frame. The west has to start participating in infrastructure projects to absorb labour in the east."

This will be particularly important in the former Soviet Union, which will soon have an army of unemployed equal to the population of France.

A social explosion has not yet occurred because of lingering relief at the restoration of democracy and because thousands of bankrupt companies have been kept alive artificially, according to Morgan Stanley's analysis.

But market reforms have brought an increase in western imports, not a rise in domestic production. The bank predicts that eastern Europe – excluding east Germany, which already benefits from massive capital transfers – will be obliged to abandon *laissez faire* market reforms and spend heavily on job-creating infrastructure projects, especially those using local inputs like road and housing construction.

Otherwise governments will be swamped by unemployment, expected to rise to 19.1 per cent of the labour force from 3.4 per cent when reform started in 1989.

Such projects will have to be financed from abroad because higher government spending and the third consecutive decline in east European GDP will lead to a rise in the region's average budget deficits to 7 per cent of GDP, from 2.8 per cent in 1991. The region's gross foreign debt will rise to $98.4bn from an estimated $91.5bn in 1991.

The report also casts doubt on the ability of the current Russian economic reform programme, drawn up by Mr Yegor Gaidar, to re-establish the rouble as a viable currency. Current plans for a balanced budget, for example, are based on a 28 per cent value added tax "in a country without an accounting or tax collection system", the report notes.

IMF team warns Ukraine on policy

By Chrystia Freeland in Kiev

AN IMF team has praised Ukraine's resolution to maintain a balanced budget, but cautions that this goal is unachievable without wide reform of the fledgling nation's public finance system.

"The balanced budget goal is not attainable on present or proposed policy," the IMF concludes in a report presented to the Ukrainian Ministry of Finance last week.

The IMF team warns that the Ukrainian government, which is cripplingly understaffed and inexperienced, has seriously underestimated the cost of servicing public debt and the likelihood of rocketing inflation and unemployment, and that it is overly optimistic about revenue to be harvested under its proposed taxation system.

Worse yet, the IMF reports that Ukraine's struggle to maintain a balanced budget will be waged in the highly unfavourable conditions of steep inflation and a deep contraction of the economy.

To cope with these pressures, the IMF team proposes changes in Ukraine's budget mechanism, taxation system and social welfare net.

The report argues that in view of Ukraine's heavy pre-determined budget commitments, the key to a balanced budget is linking expenditure credit to revenue availability through a system of conservative monthly cash allowances for each spending ministry. The team also recommends the creation of a high-powered watchdog committee to keep spending ministries in line, and an across-the-board ban on local government bank borrowing.

The IMF report recommends an overhaul of Ukraine's proposed tax system. The Ukrainian scheme relies heavily on payroll taxation and value added tax (VAT).

The IMF team suggests a drastic reduction in payroll taxation – which it fears would make Ukrainian labour costs uncompetitive – and a tax at the manufacturing stage, in lieu of VAT, which it believes is too complex for the Ukrainian bureaucracy to administer.

The IMF team recommendd a steep punitive tax on wage increases, to be levied on enterprise wage bills, as a brake on wage inflation.

The team also proposes the introduction of a uniform import duty.

In the interest of transparency and fairness, the report urges Ukraine to eliminate most tax exemptions, especially on personal income tax and enterprise income tax.

The IMF praises Ukraine's social safety net but warns that proposed wage indexation – a cornerstone of President Leonid Kravchuk's election platform – is "a particularly onerous burden" for Ukraine and should be eliminated. The report also suggests that cash benefits for vulnerable groups should be supplemented by food stocks.

Tentative start to a hazardous journey

By John Lloyd in Moscow and Gillian Tett in Kiev

THE Soviet Union has come to an end, put to rest by its remaining constituent members. And although this is enough for a day's work, it is evident that little else was agreed between the members of the new Commonwealth at Alma Ata, the Kazakhstan capital, during the weekend.

It has been agreed that 11 of the 12 former Soviet republics – barring Georgia, in the throes of the collapse of the Gamsakurdia regime – will form a commonwealth which has no pretensions to be a state, but which will none the less put its security from and retaliation to nuclear attack in the hands of the four members possessing strategic nuclear weapons.

Two of these, Ukraine and Belorussia, have devolved the authority to use the missiles on their territories to Mr Boris Yeltsin, the president of Russia. Their missiles are then to be destroyed, while the republics will join the Nuclear Non-proliferation Treaty as non-nuclear states.

The missiles in Kazakhstan are set to be destroyed or withdrawn to Russia by mid-1992, as laid down in the US-USSR treaty on strategic arms reduction (Start), whose stipulations the successor states have bound themselves to recognise.

"Russia is the inheritor of the Soviet Union in the field of nuclear weapons," said Mr Andrei Kozyrev, the Russian foreign minister. It is also the inheritor, as far as the commonwealth members are concerned, of the card to the supreme superpower club: permanent membership of the UN Security Council.

Marshal Yevgeny Shaposhnikov, Soviet defence minister, stays as commander of the Soviet military, and thus in executive control of the nuclear arsenal, but only until December 30, when a further meeting of the heads of the commonwealth in Minsk, the Belorussian capital, decides how the armed forces will be "reformed".

All the rest is cloudy or left unsaid: and everything must be ratified by the legislatures of the states concerned.

Nothing was apparently decided in Alma Ata on economic issues – the matter of most concern to citizens of the commonwealth.

The Alma Ata declaration blandly states that "allegiance to co-operation in the formation and development of a common economic space, and all-European and Eurasian markets, is confirmed".

This says nothing about whether the other members will raise prices on January 2, as Russia is committed to do and as Belorussia and Ukraine originally agreed to do. Nor does it answer the urgent issue of how, if they do not raise prices with Russia, the other republics will stop Russians crossing their borders to strip their shelves of cheaper goods.

Decisions on how far common structures will be established, and how wide their powers will be, are also consigned to the future.

Asked about the question of citizenship, Mr Islam Karimov, the Uzbek President replied that he supposed that there would be both a commonwealth citizenship and separate republican one.

Mr Yeltsin disagreed. "The commonwealth is not a government," he said, speaking in slow and overly deliberate tones, apparently aimed at the Central Asian leaders, who seem to cling to a much tighter concept of a commonwealth than their slavic counterparts.

What about the control of borders? he was asked.

Mr Yeltsin replied that this would be decided through a commonwealth border commision. Mr Leonid Kravchuk, the Ukrainian President, tartly denied this. Most Ukrainians are strongly opposed to participating in anything that ressembles a Union. The Ukraine, he said, would be guarding its own borders

However, there was agreement in principle that the supreme body of the commonwealth will be a council of the heads of state (the presidents), to be paralleled by a council of heads of government (the prime ministers). These will "co-ordinate the activities of the states of the new commonwealth in the sphere of common interests".

Destruction is easier than creation. None of the states argued for a continuation of the union, nor did they heed the warnings of Mr Mikhail Gorbachev, the Soviet president, or other Soviet figures such as Mr Victor Gerashchenko, chairman of Gosbank, that without treaties on common financial and banking systems, they would beggar each other in desperate searches for economic security.

It was, as Mr Mircea Snegur, president of Moldova, remarked yesterday on arriving back in his capital, "a start".

But just how long the route to be travelled together will be remains a mystery.

A Muscovite shouting his protest against the freeing of prices, during a 'March of the Hungry Queues' staged in the Russian capital yesterday

Mitterrand popularity rating continues to fall

By Ian Davidson in Paris

THE steady decline in French President François Mitterrand's opinion poll rating, which has been falling since he appointed Mrs Edith Cresson as prime minister last May, has hit a new low.

Only 22 per cent of voters are now satisfied with Mr Mitterrand's performance, as president, whereas 65 per cent are dissatisfied, according to the latest IFOP poll published in yesterday's Journal du Dimanche.

This approval rating is 6 points down on a November poll by IFOP, and is the lowest ever registered by a president in the 33-year history of the Fifth Republic.

Mrs Cresson's approval rating is worse than the president's, with 20 per cent satisfied and 57 per cent dissatisfied.

In public Mr Mitterrand affects a lordly disdain for the opinion polls.

Last Sunday he said on television: "I am not giving up. I intend to remain absolutely impassive, without being influenced either by the polls or by what I see in the press."

But the decline in his popularity and that of the ruling Socialist party points to serious electoral difficulties ahead for the government, starting with regional elections in March.

The Socialist party's popularity has tumbled from 53 to 36 per cent since June. But this appears linked to general alienation from the political establishment: the mainline conservative parties have benefited little, since they can muster only a 33 per cent popularity rating.

President Jacques Delors of the European Commission is increasingly canvassed as a potential saviour of the Socialist party's fortunes.

However, he seems unlikely to return to French politics, except on terms which could lead to the presidency.

He is frequently touted as a replacement prime minister after the regional elections, but he is unlikely to accept so ungrateful a role which would probably undermine the precious asset of his popularity.

Last week he was in France, campaigning in support of Mr Lionel Jospin, the leader of one of the main Socialist party factions.

But he told journalists: "I am in Brussels; you will not get me back to Paris."

Decline of Aeroflot mirrors the country's disintegration

By Gillian Tett

IT WAS, the weary air hostess said, just a typical day at Moscow's Domodedova airport.

The flight to Dushanbe was eight hours late; the flight from Sverdlosvsk had not yet arrived; and the flight to Alma Ata... well, nobody knew when that would be going.

Her words were an indication of the degree to which the Soviet Union is now disintegrating, both physically and politically. After decades of being one of the Soviet Union's most potent symbols of unity, Aeroflot – which carries more than 138m passengers a year – illustrates its rapid collapse.

In recent weeks a combination of fuel shortages, technical problems and administrative chaos have grounded thousands of aircraft. Flights from Moscow, the Soviet Union's largest hub, are now regularly delayed for up to 72 hours. A record 33 crashes have been recorded this year, with 240 deaths.

Nearly half of all airports are now closed for lack of fuel, and 40 per cent of Russia's ageing fleet of 7,000 aircraft are grounded because of a shortage of spare parts.

"Soon we are going to face a situation where we will not be able to use many planes because of their age... but we do not have any to replace them with," said one senior transport official.

The physical disintegration is matched by a political one. Earlier this autumn the Central Soviet Aviation Ministry, which had previously co-ordinated Aeroflot's activities, was disbanded without a replacement. But the republics – and separate Russian regions – have been quick to claim the airports and aircraft on their territory as their own.

In Baku airport, for example, the fleet of ageing aircraft has been repainted in wobbly signs that declare them the property of the newly established "Azerbaijani Air Company".

The result has been administrative chaos. One senior Russian official insists that the "independent" airlines are prepared to sign a central co-ordinating agreement. But many of them are struggling to establish links with fuel suppliers or aircraft factories – links that were previously guaranteed under central control.

Russia is determined to solve growing financial problems by increasing fares, hitherto ludicrously low by world standards. These are due to climb threefold in January in Russia, and more in other republics. Many seats on international flights will only be sold for hard currency.

At the same time the new air companies are scrambling to set up joint ventures with western airlines. British Airways recently signed a £20m ($36.4m) deal with a division of Russian Aeroflot to establish "Air Russia".

But because such plans will not be operative for several months, the joint ventures will provide little relief for passengers stranded across the Soviet Union.

New economy minister for Poland

MR Jan Olszewski, Poland's new prime minister, proposed at the weekend to drop Mr Leszek Balcerowicz from his new cabinet, writes Christopher Bobinski in Warsaw. Mr Balcerowicz has run the economy for the past two years.

Parliament is to vote on the list today, and it could have a rough ride, as it contains too few representatives of the larger parties in the house. Mr Olszewski told parliament at the weekend he wanted to reverse the present recession, which has seen a 36 per cent drop in industrial sales compared with 1989.

Mr Jerzy Eysymontt, who has been a critic of Mr Balcerowicz's monetarist approach to the economy, is to be the chief economic minister in the new cabinet. He expects zero growth next year with incentives for exporters and investors in domestic companies.

● Lucchini, the Italian steel maker, has signed a memorandum of understanding to establish a joint venture with Huta Warczawa, a quality Polish steel producer.

Greek move to curb influx of Albanians

By Kerin Hope, recently in Dervicjan

GREECE is sending more troops to the northern border with Albania this week to prevent a possible influx of illegal immigrants over the New Year holiday, according to government officials.

At the same time, emergency food aid to Albania is being increased, with 40,000 family packages to be distributed in the next few days by the government-backed Foundation for Resettlement of Repatriated Greeks. Greek commando units are already patrolling mountainsides near the main border crossing at Kakavia, where police buses arrive daily from Athens carrying Albanians being expelled for entering Greece without visas.

More than 40,000 visas were granted this year, mostly to Albanians of Greek origin. But 30,000 more Albanians are thought to be working illegally in Greece. The expulsions were stepped up following increased arrests of Albanian immigrants in recent weeks on charges ranging from pickpocketing to robbery with violence and murder.

However, many of those expelled soon slip back into Greece. Food shortages in Albania are worsening, especially in the countryside, triggering fears of a mass exodus. Little of the aid provided to the Albanian government by Italy and the European Commission seems to reach the rural population.

"You can't guarantee that aid will reach the people it's intended for unless you hand it over yourself. We distribute food to families on the basis of the local electoral register," says Mr Costas Halimas of the foundation, which co-ordinates Greek aid programmes to Albania.

In the village of Dervicjan, about 10 miles north of the border, most families rely on supplies sent by relatives working in Greece.

The village grocery is completely empty, but the cafe sells Greek beer, biscuits and chocolate.

Waigel firm on pre-conditions for Emu

By Quentin Peel in Bonn

NO EUROPEAN monetary union (Emu) will be established unless the strictest economic pre-conditions are fulfilled by its member states, Mr Theo Waigel, the German finance minister, warned at the weekend.

In two separate interviews he sought to head off a sudden outburst of domestic criticism over the eventual demise of the D-Mark by insisting that the future European currency would be, if anything, more stable.

He also suggested the future currency need not be called the Ecu and could have different faces
in each European Community country to recall the national currency.

His remarks make it clear that Germany is determined to apply the strictest possible interpretation to economic convergence criteria for Emu.

"No country can become a member of this monetary union if it lags behind Germany in consciousness of the need for stability, and in success in creating such stability," he told Europa magazine, which is published by the federal government.

"Only those who are recognised as being 'qualified for Europe' after a strict and incorruptible examination, before 1999, will get the new Euro-Mark from the European central bank, set up according to our own design."

In an interview with the Sunday newspaper Welt am Sonntag, Mr Waigel said that if the preconditions for common stability were not present, "there will be no monetary union."

The minister, along with Mr Helmut Schlesinger and Mr Hans Tietmeyer, the president and vice-president of the German Bundesbank, has been forced to conduct a robust campaign to reassure German citizens following the EC summit in Maastricht, when doubts about the wisdom of swapping the D-Mark for the Ecu emerged in the federal republic.

He flatly denied the D-Mark was being "sacrificed" or "given up" for Europe, saying that, rather, the rest of Europe was accepting the D-Mark system. The criteria for the new system, including the independence of the future European central bank, were actually stricter than those currently applied in Germany.

Mr Waigel warned that 1992 would be the most expensive year for Germany so far in terms of the cost of unification. Federal government transfers totalled DM89bn ($56.3bn) in 1991, and would reach DM104bn in 1992. But he believed that would mark the high point.

He insisted the income tax surcharge of 7.5 per cent to pay for unification would be cancelled from the middle of 1992, although other tax increases, such as petrol and cigarette taxes, would remain.

He defended last week's decision by the Bundesbank to raise interest rates by 0.5 per cent.

"From the standpoint of economic growth they will certainly not only get applause," he told Welt am Sonntag. "But in the interest of monetary stability and as a warning against high wage settlements, one must understand the decision."

German rail restructuring urged

By Andrew Fisher in Frankfurt

A GERMAN government commission has recommended far-reaching changes in the structure of the country's railway system in order to cut the heavy burden of state financial support.

It concluded that without a fundamental re-organisation of the railways, the total of state support could exceed DM400bn ($253bn) by the end of the century.

This would include meeting losses, financing investments, and subsidising uneconomic routes.

The urgency of the reforms, which would require a change in the constitution and thus could become a big political issue, has been increased by the high cost of unification and the desperate need to improve the run-down infrastructure in eastern Germany.

At present, the east and west German rail networks are still separate.

It will take an estimated DM50bn to bring the east German rail system (Reichsbahn) up to a similar standard to that of west German railways (Bundesbahn).

Both are big money losers, with the Bundesbahn's deficit expected to climb to DM7bn next year from just over DM5bn in 1991.

The main recommendation of the commission, which presented its 60-page report last week after two years of work, is that the railways be transformed from a public authority to a shareholding company (AG).

The government would still be the owner, but management would be freed from bureaucratic interference and able to compete more effectively with private transport operators.

The government wants more traffic to move on to rail so as to relieve the country's increasingly congested road network. Mr Heinz Dürr, who heads both systems, though they have separate managements, said the commission's proposals presented "the only way of halting the economic decline of the railways".

It is proposed that the new shareholding company, Deutsche Eisenbahn, should absorb both the Bundesbahn and Reichsbahn.

One result of creating a new shareholding company would be to remove the special Beamte (civil service) status of many of the west German railway employees. Mr Dürr has said it is essential for flexibility of pay and promotion. He also wants railway debt, totalling more than DM40bn, written off by the state.

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Uruguay Round 'final act' offers a stark choice

By William Dullforce in Geneva

GATT

MOST, if not all, governments will find it politically painful to accept everything in the 436-page "final act" of the Uruguay Round trade talks tabled at midnight last Friday. It would be disastrous if they cannot also see the real economic benefits likely to emerge from what, after all, has been the most ambitious effort ever made to open up world markets and stimulate international trade.

Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade, appealed to political leaders to be measured, not hasty, in evaluating the outcome of five years of negotiations. The politicians should think about the future of the multilateral trading system, he said.

Governments will send their negotiators back to Geneva on January 13 to determine the fate of the 26 draft accords contained in the final act. Nothing in the document can be agreed until *everything* is agreed, as Mrs Carla Hills, US trade representative, pointed out.

The most serious threats to the package come from the US and the European Community. It is not certain that a Republican president can sell the outcome to a Democrat-dominated and increasingly protectionist Congress at a time when the US is struggling to come out of recession and he is running for re-election.

The EC, whose trade and farm ministers meet today for an initial assessment, will find it difficult to persuade France, its biggest agricultural producer and exporter, to accept the compromises over world farm trade reform which Mr Dunkel inserted at the last minute.

Important ground-breaking draft texts, such as those on services and intellectual property rights, had been provisionally agreed by negotiators. Mr Dunkel has proposed compromises in cases such as agriculture where the US and EC failed to settle their differences. Where negotiations had effectively broken down, over anti-dumping, he and his aides have written their own text.

It is not quite a take-it-or-leave-it package. Governments could bargain and trade off concessions in a handful of core areas in January. And complete agreement still depends on country-to-country negotiations over tariff cuts, farm support reductions and initial liberalising commitments in services over the following weeks.

But governments cannot ignore Mr Dunkel's advice to think carefully about the future of the world trading system. Sweeping aside many countries' earlier reservations, negotiators have agreed to form a new, clumsily named Multilateral Trading Organisation (MTO) which would embrace Gatt and the new General Agreement on Trade in Services (Gats), administer the agreement on intellectual property rights and conduct reviews of countries' trade policies.

More important, the MTO would run an integrated dispute settlement system, providing speedier processing, an appeals body and stricter discipline on governments' implementation of verdicts.

The new mechanism would substantially diminish, if not eradicate, the scope for the US to impose its own trade sanctions.

Developing countries make gains but the Far East does even better

Textile exporters given time to adapt

By William Dullforce

TRADE in textiles and clothing, at present conducted under bilateral quota arrangements which contradict Gatt rules, will be brought into conformity with Gatt over a 10-year period starting on January 1 1993.

Developing countries have won some concessions in the agreement to phase out the Multi-Fibre Arrangement which has governed the annual $200bn (£110bn) trade for the past 30 years, but the terms appear to offer a better deal for well-established exporters, such as Hong Kong and Korea, than for countries still building up their industries.

Importers agreed to make an extra 4 per cent down payment on the list of products that would be integrated into Gatt in January 1993. This would be additional to the minimum 12 per cent of the total volume of imports in 1990 which they must integrate at the time. Products dropped from the quota system have to be taken from each of four groups – tops and yarn, fabrics, made-up textiles and clothing.

In January 1996 a further 17 per cent of products must be integrated, with 18 per cent more due in January 2000. Three years later all quota restrictions will be eliminated.

During the 10-year transition period the growth rate for imports agreed in current quota deals will be increased by 16 per cent in the first stage, 25 per cent in the period 1996 to 1999 and 27 per cent between 2000 and 2002. Exporting countries whose quotas represented 1.2 per cent or less of the total quotas applied by an importing country can get better terms.

Importers facing a sharp and substantial increase in imports can call for special action by their government, if they can show that serious damage is being caused or threatened. These protective measures may be applied on a country-by-country basis.

Resentment at stance of EC

US seeks refinement of the compromises

By Nancy Dunne in Washington

GATT

ALMOST before the ink was dry on the Dunkel paper, US trade officials were planning to seek refinements in the compromises and lobbyist groups were firing off faxes denouncing the results.

Resentment towards the EC was in full bloom, not only for its stand on agriculture trade liberalisation but for "dominating the round" by making deals the US will find hard to swallow.

Mr Harry Freeman, a US trade lobbyist, said: "We see the Gatt round as one of the major issues before the world, and a 'defining' event for the future of relations between countries. We are frankly confounded by the EC preoccupation with its own organisation."

Mrs Carla Hills, the US trade representative, emphasised that "the document is only a draft; it is not a finished legal text."

Another senior trade official said the framework for trade in services was "very sound" but US approval would depend on what kind of derogations it could take; this would be clearly necessary for telecommunications, maritime and financial services.

Mr Jack Valenti, president of the Motion Picture Association of America, called on Mrs Hills to reject the texts on services and intellectual property as "fatally flawed". He vowed to "actively, passionately oppose the agreement".

The services text accepts language which condones television quotas, he said.

The intellectual property text "fails to recognise US contractual relationships between film companies and creative artists and fails to ensure that US copyright owners will receive equal treatment under foreign laws".

The National Association of Wheat Growers said that the draft "fails to deal comprehensively with needed trade reforms".

The Citizen Trade Watch Campaign, which has mostly opposed the round, said that the text would "undermine US environmental, consumer and labour laws and devastate family farmers and several industrial sectors".

EC feels pressure on Dunkel farm draft

William Dullforce reports on the row over agriculture that has gone to the bitter end

THE KEY to the success of the Uruguay Round has been retained by agriculture right to the bitter end. After the last-minute failure of the EC and the US to resolve their differences over how to reduce farm subsidies, Mr Dunkel put forward a draft agreement which would oblige both to make further concessions, but which is harder for the European Community to accept.

Negotiations have aimed at eliminating as much as possible of the trade-distorting elements in the worldwide $300bn-a-year support for farmers which comes from public budgets and through artificially high prices to consumers. It is agreed that reductions should be made in three areas: export subsidies, domestic farm supports and barriers to imports.

At a EC-US summit on November 9 President George Bush agreed to lower US demands for cuts to 35 per cent in export subsidies and 30 per cent in the other areas to be effected in five or six years.

Since then the central problem in export subsidies has been US insistence that ceilings in tonnages be set for subsidised EC farm exports; the EC has favoured cutting budget outlays. In wheat the US wanted a limit of 11m tonnes at the end of five years but had hinted they could accept 12m; the EC held out for 15m tonnes

At odds: EC agriculture commissioner Ray MacSharry and Gatt's director general Arthur Dunkel

but farm commissioner Ray MacSharry said 13m might be acceptable.

Mr Dunkel has proposed cuts of 36 per cent in budget outlays and 24 per cent in quantities over a six-year period from 1993, using 1986-1990 as the base period from which reductions are calculated.

This would allow the EC to export 12.7m tonnes of subsidised wheat in 1999, according to a preliminary US estimate.

However, the Dunkel draft ignores the EC's "rebalancing" demand, which would enable it to restrict imports of non-grain feedstuffs such as US corn gluten.

This issue, it has been suggested, could be settled by an exchange of letters between Brussels and Washington.

The EC's biggest disappointment, however, is over the "green box" list of permitted non-trade-distorting domestic payments to farmers. This includes neither US deficiency payments nor the compensatory payments, linked with set-aside programmes that the EC wants to use in reforming its common agricultural policy.

Mr Dunkel has proposed a modest 20 per cent reduction in domestic supports by 1999, using 1986-88 as the base period.

In lowering border protection Mr Dunkel has not compromised on the principle that all barriers should be converted into customs duties and then progressively lowered. But governments would be allowed temporarily to raise tariffs if imports reached set levels in volume or price.

Converting all import restrictions into tariffs would be a revolutionary move in world farm trade; Mr Dunkel is counting on governments to see the long-term benefits in this switch to Gatt's classical instrument for governing imports.

Tariffs would be reduced on average by 36 per cent over the six years, with a minimum reduction of 15 per cent for each product.

Since after conversion customs duties would in many cases be very high, countries would be obliged to allow a minimum access for imports equivalent to 3 per cent of domestic consumption at the start, and rising to 5 per cent in 1999. Current access for imports would have to be maintained.

In all three areas, developing countries could apply lower rates of reduction, equivalent to two-thirds of those imposed on developed nations.

They would also be allowed to continue investment subsidies to farmers and input subsidies to low-income producers. The least developed would be exempt from any reduction.

Fresh rule book on dumping and subsidies

By William Dullforce

GATT

IMPROVING Gatt rules so that trade could flow more easily has been a primary objective of the Uruguay Round. The final act contains revised draft agreements on anti-dumping, subsidies and the protective measures, known as safeguards, that governments are allowed to apply if their domestic industries are threatened by a sudden surge of imports.

These subjects have been among the least tractable to negotiation. Only last-minute compromises allowed the texts on subsidies and safeguards to be completed, while Mr Dunkel and his aides had to produce a proposed revision of Gatt's anti-dumping code.

Anti-dumping is a crucial issue for Japan, other Asian exporters and many developing countries which have called for tighter discipline on the measures used to counter alleged dumping – exporting at prices below those charged on the domestic market – increasingly applied by the EC and the US. The importers are insisting on rules that would allow them to stop exporters circumventing anti-dumping duties by assembling products from imported parts in the importing country, or by exporting from a third country.

The draft agreement offers something to both sides and will satisfy neither. Japan has secured acknowledgment that selling below cost in the launching phase of a new product is a legitimate business practice, but the conditions under which it would be allowed are tighter than the Japanese like. Action against all three kinds of circumvention sought by the US and EC has been allowed, but again within strict limits. The total cost of the parts imported for assembly, for instance, must be 70 per cent or more of the total costs of all parts used in the product before action can be justified.

Important modifications to Gatt, overshadowed by the politically more controversial issues, are hidden away in the final act. Among them is an agreement to harmonise the rules used to determine the country of origin of a product and to apply the rules in an impartial, predictable and consistent manner.

New standards are laid out for the preshipment inspection of goods by private companies to which many developing countries resort, in order to verify the quality, quantity or prices of imported goods.

A 27-page draft text on technical barriers to trade prescribes methods to be used by governmental agencies in establishing technical regulations and setting standards for packaging, marking and labelling goods, in order to ensure that they do not create unnecessary obstacles to trade.

In the safeguards text the EC will take cold comfort from a watered-down version of the right to take protective action against selected exporters which it has been demanding. However, the EC has secured the only exception to a provision for the phasing out of all voluntary export restraints or orderly marketing arrangements within four years. The exception concerns the recent deal on imports of Japanese cars, which can continue to the end of the decade.

The subsidies draft redefines payments governments can offer industry without running the risk of having countervailing duties imposed on products by importing countries.

Question mark over copyright agreement

By William Dullforce

A DRAFT agreement that would go far towards harmonising standards for the protection of intellectual property rights, such as patents, trademarks and copyright, is included in the Uruguay Round final act. It falls somewhat short of US ambitions, which may leave a question mark hanging over its acceptance by the US Congress.

Essentially, the accord obliges governments to treat foreigners in the same way as it treats its own nationals and to apply the non-discriminating most-favoured-nation rule to foreign companies.

Patents would be protected for 20 years and designs for integrated circuits for 10 years. Computer programmes will be protected as literary works under the Berne convention.

Compromise was reached over geographical indications – champagne, for example – which identify a product as originating in a given territory or locality.

This is a matter of special concern to the EC. Countries agree to provide legal recourse against a designation on a product that misleads the public about its true place of origin.

Additional protection will be provided for wines and spirits.

A dispute with developing countries which did not want the agreement to form part of Gatt has been resolved by giving it separate status.

It will have its own council under the umbrella of the Multilateral Trading Organisation (MTO).

Pharmaceutical and other companies in industrialised countries which rely heavily on patent rights will be unhappy with a concession that would allow developing countries to delay product patent protection for up to 10 years.

Compulsory licensing of patents by governments will be subjected to tighter rules, with the patent holder having the right to "adequate remuneration in the circumstances of each case, taking into account the economic value of the authorisation".

Services pact may be seen as milestone

By William Dullforce

GATT

SERVICES is an area where the Uruguay Round is poised to erect a milestone, by extending liberalised trade to banking, insurance, transport, tourism, construction, telecommunications and accountancy. Trade in services is currently valued at around $800bn (£440bn) a year and has been growing by 12 per cent a year.

But success hangs on the negotiation over the next few weeks of the initial liberalising commitments by each participating country. US business wants to see the short-term benefits in improved market access before it will encourage Congress to approve an international services deal.

Mr Dunkel's final act includes the text of a General Agreement on Trade in Services (Gats), modelled on Gatt but adapted to the differences between services and goods. Four annexes define rules to be applied to financial services, telecommunications, air transport and people crossing borders to provide services.

Gats sets the framework under which governments can negotiate market-opening concessions. It stipulates the use of Gatt's most-favoured-nation (MFN) rule which obliges countries to extend to all other countries concessions granted to one.

For a long time, negotiations stalled when the US said it would deny MFN treatment in certain services, such as shipping and telecommunications, and it is a triumph for negotiators to have secured an understanding, albeit with a let-out for the US.

Exemptions from MFN will have to be announced by a country from the beginning and reviewed after five years. They should not be sustained more than 10 years. US companies have not secured the clause which would allow the US to deny benefits to countries it considered were not living up to their obligations.

Gephardt takes aim at protectionist Japan

By Nancy Dunne in Washington

MR Richard Gephardt, the US House majority leader, yesterday took aim at Japanese protectionism and said tough new legislation he introduced last week would force Japan to open its markets to American products.

He has warned President George Bush that unless he negotiates "real actions producing real results" on his trip to Japan next month "progress on trade will finally come from the remedies we have written into the Trade Enhancement Act of 1992".

The legislation establishes a quota which would cut Japanese car imports by almost one-third and require Japan to reduce its trade deficit with the US by 20 per cent in each of the next five years.

It represents the long-simmering frustration in Congress with the administration's trade policy towards Japan, which has failed to reduce the $42bn trade deficit, and the growing conviction that a protectionist Japan has contributed to the US recession.

American products have grown more competitive in the past few years, Mr Gephardt insisted.

This year the US will have a $20bn trade surplus with the EC.

"If our products are so poor, why are we doing that well with Europe, yet our deficit has hardly changed with Japan?" he said.

In the last 10 years, accumulated US trade deficits have exceeded $1 trillion; $400bn of that is attributable to Japan.

Seventy-five per cent of this year's deficit with Japan is in the auto sector.

President Bush has vowed to get tougher with Japan and for the first time he will be accompanied by leading US businessmen on his trip to Tokyo.

On Friday, the Commerce Department issued a long-awaited ruling that Japanese minivans were being sold in the US market at less than a "fair value". This move could mean the levying of dumping duties on Japanese minivans next May.

Although the administration has already come out against the new Gephardt bill, it is likely to attract bipartisan support and could override a presidential veto if the recession continues.

The bill sets an import limit for 1992 sales of Japanese cars and light trucks of 3.8m units.

The car quota would be reduced by 250,000 cars in each of the following five years, but it would be raised if Japan increases its imports of US cars.

The bill directs adoption of recommendations made by a committee of private sector advisors from the vehicle parts industry. The committee was appointed by the president, and has recommended that two "unfair trade" cases be brought against Japan on vehicle parts.

One would institute negotiations under Section 301 of US trade law, to seek elimination of "systematic anti-competitive practices" in Japan's vehicle-parts trade.

The other would charge dumping below "fair market value or cost of production".

Press finds itself a part of the financial scandal scene

By Stefan Wagstyl in Tokyo

THE Japanese press, which has spent much of the last few years chasing scandals in the political and business communities, has itself become embroiled in allegations of financial wrongdoing.

An employee of Nihon Keizai Shimbun, the top business daily, and two other people have been accused in court of taking bribes in return for efforts to play down criticism of Itoman, a scandal-hit trading and property company.

The allegations have been prominently reported in newspapers, including Nihon Keizai Shimbun, which said it was urgently investigating the prosecutor's allegations and seeking to identify the employee concerned.

The Itoman affair, which broke last autumn, shook the country's financial establishment and led to the resignation of Mr Ichiro Isoda, the former chairman of Sumitomo Bank, Itoman's main bank.

The allegations against the press were made public on Thursday, the opening day of the trial of Mr Yoshihiko Kawamura, the former Itoman president, and two others on charges of siphoning funds illegally from the company for private purposes.

Journalists had expected little new to be revealed in court, since Japanese prosecutors generally provide the press with information during the course of the investigations.

However, the prosecution surprised the court by alleging that Mr Kawamura had arranged for Y10m (£42,500) to be paid to a Nihon Keizai Shimbun employee in October last year – just when the scandal was beginning to break. Mr Kawamura wanted information about the newspaper's investigations and its sources.

Separately, Itoman sought to put pressure on Shukan Shincho, a weekly magazine which was first with the scandal story. Itoman sought advice from a gangster chief on how best to deal with the scandal, said the prosecution.

The gangster advised paying money to a journalist he knew who could influence the work of other journalists.

About Y5m was paid to a former employee of Shukan Shincho.

Later, Mr Isoda called Shukan Shincho to try to stop the magazine from publishing a key article, the court heard.

In a third incident, Mr Kawamura himself allegedly called on the chief editor of Keizaikai, a business magazine, to ask him to use his influence to stop Nihon Keizai Shimbun and Shukan Shincho from running scandal stories.

Keizaikai carried reports favourable to Itoman and received a fee of Y200m, the court was told.

Journalists on Nihon Keizai Shimbun said they were shocked by the disclosures.

US may get funds for research into particle accelerator

By Stefan Wagstyl in Tokyo

JAPAN is considering bowing to US demands for a contribution to an $8.25bn (£4.5bn) scientific research project in order to ease bilateral economic frictions in advance of President George Bush's visit to Tokyo next month.

The money would go towards a 54-mile-long particle accelerator – the superconducting super collider – which is under construction in Mr Bush's home state of Texas.

Japan has fiercely resisted requests from visiting US officials over the past 18 months, arguing that it has limited funds for scientific research and what money it has should be directed to Japanese institutions. However, senior officials of the ruling Liberal Democratic party have decided Tokyo must do as much as possible to appease Mr Bush, who has put economic issues high on his agenda.

Mr Kiichi Miyazawa, prime minister, yesterday told a parliamentary comittee he would yield to US trade demands wherever appropriate.

Foreign diplomats in Tokyo said there were growing signs that the LDP leadership was prepared to give Mr Bush a positive answer on the super collider. However, they said party bosses would have a tough fight securing funds for the project.

The leadership failed in the face of opposition from rank-and-file members to get support for a special fund for international contributions to be created in the budget for the next financial year starting in April 1992.

The earliest money could be allocated would be 1993-94.

Israel seeks to defuse criticism over raid

By Hugh Carnegy in Jerusalem

ISRAELI officials yesterday sought to defuse criticism over a commando raid in south Lebanon last week in which three Lebanese men were abducted and taken to Israel.

Under strong pressure from Washington, Israeli authorities handed back the three men on Saturday. The incident cast a shadow over UN efforts to win the release of two remaining western hostages in Lebanon and moves to resolve the issue of missing Israeli servicemen.

Remaining unresolved yesterday was the killing of two children of one of the abducted men by an explosive device found in his car after he was captured.

Lebanese officials accused Israeli soldiers of deliberately planting a booby-trapped flashlight in the car. Israeli officials denied this, saying that as far as they knew no explosives of any sort were left in the car either deliberately or accidentally.

There was domestic criticism of the army for undertaking such an insensitive mission and suggestions that the real, failed, intention was to net senior Hizbollah Shia fundamentalist figures to hold as bargaining chips in the hostage negotiations.

But senior officers and ministers said it was an action aimed only at intimidating Hizbollah guerrillas by showing Israel's willingness to take aggressive actions on the ground against groups which attack its forces.

● The Israeli cabinet yesterday confirmed its willingness to resume bilateral peace talks with Syria, Lebanon, Jordan and the Palestinians in Washington on January 7.

KMT landslide as Taiwanese back links with China

By Luisetta Mudie in Taipei

TAIWAN'S voters firmly rejected the concept of independence for the island in elections for the National Assembly on Saturday. The ruling Nationalist party (KMT) won a comfortable victory over its main rival, the Democratic Progressive party (DPP), which campaigned on an independence ticket.

The KMT took just over 71 per cent of the vote, winning 254 of the 325 seats, while the DPP won just under 24 per cent and 66 seats.

The DPP failed to gain enough seats in the assembly to form a serious opposition to the government's proposals for constitutional reform. The National Assembly decides on constitutional changes and elects the president, and the elections were the first in Taiwan's history seriously contested by an opposition.

Though Taiwan has operated as an independent state since 1949, the official policy of the KMT has always been reunification with China, though on Taiwan's terms.

The KMT's crushing victory showed voters wanted Taiwan to remain legally part of China, even though most do not want actual reunification until China becomes a democracy.

The DPP accused the KMT of cheating. "We have failed to focus the attention of voters on the question of independence," Mr Hsu Hsin-Liang, DPP chairman, said yesterday. "The reasons for the setback rest primarily on the KMT's monopoly of the mass media and its vote-buying offensive."

The KMT said the election was a peaceful, rational and fair contest, and the results were a victory for the people of Taiwan. Mr James Soong, secretary general of the KMT, said: "Democracy in Taiwan is now more mature."

An ad hoc observer group set up by Pennsylvania State University had strong reservations about restrictions on the promotion of independence, and the KMT's extensive control of the media.

"This has resulted in a degree of concealed advertising for the governing party in news coverage, commentary and occasionally even on variety shows," said Mr Harvey Feldman.

He added that vote-buying known to be practised by both main parties was a challenge to the integrity of the democratic system, and that it was the responsibility of the government to take measures against it.

The KMT government will now have a clear run at its constitutional reform programme when the National Assembly opens in March 1992. Not one of the smaller parties gained even the 5 per cent of the vote necessary to gain one of the proportionally-allotted seats representing the mainland and overseas Chinese.

The DPP will find it hard to put across its proposals for abolishing the old Republic of China constitution and replacing it with a new constitution for a Republic of Taiwan, especially since the KMT can now claim that there is little or no support for independence.

But Mr Hu Fu, professor of politics at National Taiwan University and an expert on constitutional matters, said the result would strengthen the moderate faction within the DPP, which advocates slower progress through institutional reform.

Menem dents fiesta mood of pensioners

By John Barham in Buenos Aires

IT IS as much part of Argentina's Christmas traditions as pannetone cake and midnight Mass, but the country's old age pensioners have been told they will have to wait until January for their Christmas bonus. President Carlos Menem has asked the pensioners "for this one, last sacrifice".

Mr Domingo Cavallo, economy minister, said this week that he does not want to risk pushing up inflation during Christmas and New Year by pumping money into the economy. So, public employees and those drawing meagre state pensions will have to wait.

Inflation fell in November to 0.4 per cent, the lowest monthly rate in 20 years, and Mr Cavallo wants to repeat the feat in December. But economists agree that the real reason for withholding the bonus is the government's promise to the International Monetary Fund to run a $1.43bn (£786m) budget surplus in the fourth quarter.

The pensioners, who have grown militant, have promised to rally outside the president's residence in Buenos Aires, but their protests may fall on deaf ears. Although Mr Cavallo sobbed six months ago, when he said he could not pay the mid-year bonus, the protests withered under government indifference.

Public opinion has veered heavily against the government, particularly as it raised $950m this week from two privatisations. A pensioner said yesterday: "This is a barbarity, a disgrace. The government has just raised millions of dollars but won't use it to pay its debts to those who need the money most."

South Africa inches along the path to democracy

Despite Nelson Mandela's attack on President de Klerk, old wounds are healing, writes Patti Waldmeir

POLITICS in South Africa is finally coming of age. For the first time, a white president has been humiliated by a black man on prime time national television, without attacking, arresting or otherwise constraining him. And when it was all done, the black man – Mr Nelson Mandela, president of the African National Congress (ANC) – offered his hand to the white, Mr F.W. de Klerk. The two shared a handshake, acknowledging the principle – common to democracies but alien to authoritarian states like South Africa – that political adversaries need not also be mortal enemies.

Mandela: accused de Klerk of trickery and immorality

When Mr Mandela attacked Mr de Klerk at Friday's Convention for a Democratic South Africa as a "product of apartheid" who knew little of democracy and cared less, he stunned onlookers with his vituperation. Mr de Klerk, hyperventilating with rage, hardly knew how to reply to this unprecedented public assassination of his character.

The subtext of the dispute was racial, like all things in South Africa. Mr de Klerk had asked to speak last in the debate which closed the first day of the convention. He used the speech to attack the ANC for its refusal to abandon armed struggle. Mr Mandela felt, understandably, that President de Klerk had abused his privelege as a white by insisting on speaking last; it was as if Mr Mandela had been sent to the back of the bus while Mr de Klerk abused him from the front.

Mr Mandela's response was – in the view of most who heard it, including senior ANC officials – unnecessarily personal. He accused Mr de Klerk of trickery and immorality, and said he could understand why the ultra-right Conservative party was gaining ground from the ruling Nationalists, because no one would want to deal with Mr de Klerk.

This drew a bitter reply from an apoplectic President de Klerk, mindful of the fact that many white television viewers would see Mr Mandela as a cheeky native who ought never to have been released from jail, and ought now to be taught a lesson.

Senior Nationalists were furious. But one of the party's top negotiators saw the incident as marking the birth of true democracy, the first session of a real South African parliament.

The two sides have finally given up the idea that they have to trust, like or admire each other in order to negotiate: they are seeking a balance of power, not an emotional reconciliation; that will come later, if at all.

Despite harsh words at the top, there was ample evidence of old wounds being healed. National party MP Coetzee Bester, charged with conference public relations, handed out copies of a speech by the Communist party leader Chris Hani – an activity known until 1990 as distributing communist propaganda.

de Klerk: attacked ANC over armed struggle

Mr Leon Wessels, a junior government minister, was seen warmly shaking the left hand of Mr Albie Sachs, a senior ANC offical: Mr Sachs' right sleeve hangs empty at his side, the result of a government assassination attempt. And officers from Umkhonto we Sizwe, the armed wing of the ANC, jointly co-ordinated conference security with South African police. One Umkhonto man recognised his opposite number as a security policeman who had interrogated him in a former life. "Where have you been hiding all these years?" the policeman asked him – and they both laughed.

Only the peevish behaviour of Chief Mangosuthu Buthelezi, leader of the mainly Zulu Inkatha Freedom party, soured the atmosphere. He refused to attend the session, and refused to sign the convention's declaration of intent, calling for the creation of a democratic, free and just South Africa. His isolation could yet lead to renewed fighting on the ground between Inkatha and the ANC; but the conference went on smoothly without him. In time, he will no doubt come to see that in South Africa's new-born democracy, parliament is the place to be.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1984	275.8	−136.8	−125.5	0.7891	96.9
1985	279.8	−174.2	−160.5	0.7823	100.0
1986	230.9	−140.6	−147.8	0.9836	80.2
1987	220.2	−131.8	−138.8	1.1541	70.3
1988	272.5	−100.2	−106.7	1.1833	66.0
1989	330.2	−89.3	−96.5	1.1017	68.4
1990	308.8	−79.8	−72.3	1.2745	65.1
4th qtr.1990	74.2	−18.8	−17.1	1.3714	60.8
1st qtr.1991	75.7	−12.6	7.8	1.3435	61.8
2nd qtr.1991	69.3	−11.0	2.5	1.1849	66.4
3rd qtr.1991	69.5	−16.5	−8.9	1.1727	66.5
November 1990	24.2	−6.9	n.a.	1.3861	60.2
December	24.5	−4.8	n.a.	1.3716	61.2
January 1991	25.1	−5.4	n.a.	1.3827	61.2
February	24.2	−4.0	n.a.	1.3899	60.2
March	26.6	−3.2	n.a.	1.2779	63.9
April	29.5	−3.7	n.a.	1.2081	66.6
May	29.6	−4.0	n.a.	1.1927	66.0
June	30.3	−3.3	n.a.	1.1531	67.6
July	30.6	−5.2	n.a.	1.1505	67.6
August	29.2	−5.5	n.a.	1.1763	66.5
September	29.7	−5.8	n.a.	1.1911	65.3
October	30.4	−5.6	n.a.	1.2097	64.6

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1984	213.8	56.7	44.1	187.03	97.9
1985	230.8	76.0	64.5	180.50	100.0
1986	211.1	96.2	86.9	165.11	124.4
1987	197.3	86.1	75.4	166.58	133.2
1988	219.8	80.7	66.6	151.51	147.3
1989	245.3	70.5	52.4	151.87	141.9
1990	219.9	49.8	28.1	183.94	126.0
4th qtr.1990	55.4	12.2	4.7	179.38	133.6
1st qtr.1991	58.3	17.2	13.2	179.61	132.1
2nd qtr.1991	61.0	19.5	15.8	163.84	135.9
3rd qtr.1991	65.5	23.4	16.5	159.87	138.5
November 1990	18.5	4.1	1.8	178.84	134.8
December	18.4	4.0	1.0	183.34	130.9
January 1991	18.8	5.3	2.9	182.13	131.1
February	18.4	5.3	4.2	181.25	133.2
March	21.2	6.7	5.2	175.44	132.0
April	18.7	6.5	6.4	165.79	135.7
May	20.9	5.9	4.9	164.84	135.4
June	21.5	7.1	4.5	160.89	136.6
July	21.4	7.1	4.1	158.49	138.8
August	21.7	8.2	6.0	160.93	138.2
September	22.3	8.1	6.3	160.18	138.7
October	22.0	8.0	5.3	157.96	142.4

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1984	218.3	24.2	12.5	2.2387	100.0
1985	242.8	33.3	21.7	2.2259	100.0
1986	248.6	53.5	40.3	2.1279	108.8
1987	254.2	56.7	39.8	2.0712	115.3
1988	272.6	61.7	42.8	2.0739	114.6
1989	310.2	65.3	52.0	2.0681	113.5
1990	324.2	51.4	37.7	2.0538	119.1
4th qtr.1990	82.5	7.2	6.2	2.0569	120.0
1st qtr.1991	81.9	3.4	−4.5	2.0562	119.8
2nd qtr.1991	78.4	−0.3	−5.2	2.0557	116.2
3rd qtr.1991	83.1	2.0	−5.2	2.0422	116.5
November 1990	27.8	1.5	0.8	2.0583	120.2
December	26.5	1.3	2.1	2.0506	120.8
January 1991	28.4	0.7	−1.0	2.0562	120.2
February	26.7	1.4	−0.7	2.0570	120.7
March	26.9	1.3	−2.8	2.0554	118.6
April	25.1	0.4	−1.2	2.0604	116.4
May	27.3	−0.7	−2.2	2.0526	116.3
June	26.0	−0.0	−1.8	2.0541	115.8
July	27.4	−0.1	−2.8	2.0522	115.8
August	28.8	2.0	−1.6	2.0518	116.5
September	26.9	0.1	−0.7	2.0226	117.1
October	27.8	1.8	−1.5	2.0443	117.1

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1984	123.7	−3.8	−1.1	8.8715	99.1
1985	133.4	−4.5	−0.2	8.7941	100.0
1986	127.1	−0.1	3.0	6.7946	102.8
1987	128.3	−4.5	−3.6	6.9287	103.0
1988	141.8	−4.8	−3.4	7.0354	100.8
1989	162.9	−6.4	−3.6	7.0189	99.8
1990	170.1	−7.2	−6.4	6.9203	104.8
4th qtr.1990	42.4	−2.3	−1.0	6.9400	105.6
1st qtr.1991	42.2	−2.1	−2.6	6.9940	104.3
2nd qtr.1991	43.2	−1.1	−0.5	6.9621	102.0
3rd qtr.1991	44.9	−1.6	−0.1	6.9409	101.8
November 1990	14.5	−0.17	0.16	6.9299	105.8
December	13.1	−1.30	−0.78	6.9645	105.3
January 1991	14.3	−1.00	−0.45	6.9853	104.7
February	13.9	−0.49	−1.54	7.0016	104.8
March	13.9	−0.65	−0.84	6.9951	103.2
April	14.7	−0.27	−0.28	6.9606	102.4
May	14.2	−0.29	0.07	6.9574	102.0
June	14.2	−0.55	−0.31	6.9683	101.5
July	15.2	−0.57	−0.20	6.9670	101.4
August	14.5	−0.60	0.42	6.9724	101.8
September	15.2	−0.45	−0.38	6.8833	102.2
October	15.7	0.95	1.04	6.9695	101.9

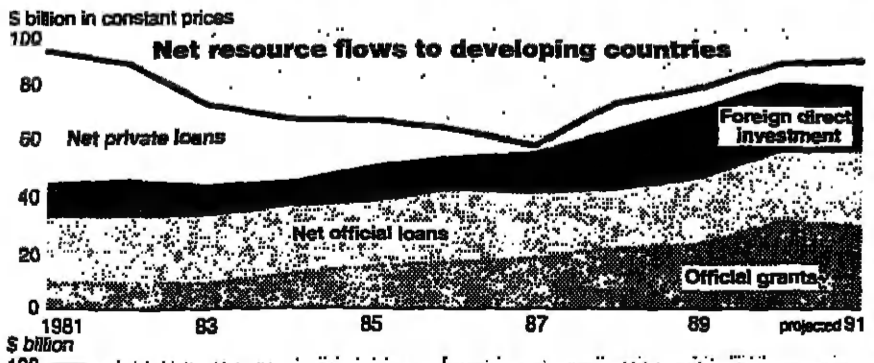
ITALY

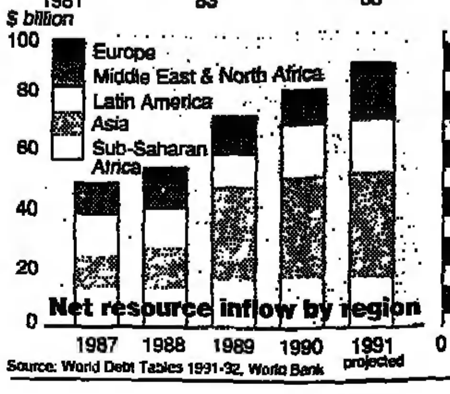
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1984	93.4	−13.9	−6.2	1381.5	105.9
1985	103.7	−16.0	−5.4	1443.0	100.0
1986	99.4	−2.5	−1.4	1461.9	101.4
1987	100.7	−7.5	−2.1	1494.3	101.2
1988	108.3	−8.9	−8.0	1536.8	97.8
1989	127.8	−11.3	−17.0	1509.2	98.6
1990	133.6	−9.3	−16.9	1523.2	100.6
4th qtr.1990	35.8	−2.0	−7.7	1547.5	99.8
1st qtr.1991	32.4	−4.2	−8.0	1540.8	100.1
2nd qtr.1991	35.5	−3.4	−5.8	1525.3	98.6
3rd qtr.1991	31.8	−1.7	−5.5	1524.7	98.1
November 1990	10.9	−2.4	−2.1	1547.4	99.9
December	12.5	1.3	−3.0	1545.6	100.1
January 1991	9.9	−3.2	−3.4	1545.8	100.0
February	11.3	−0.6	−2.6	1543.5	100.5
March	11.1	−0.4	−1.9	1533.1	99.6
April	11.4	−1.5	−2.7	1526.3	98.9
May	11.3	−2.1	−0.8	1522.9	98.7
June	12.7	0.3	−2.4	1526.6	98.2
July	13.2	0.1	−2.2	1528.7	97.9
August	7.5	0.2	−0.4	1533.6	96.0
September	11.2	−2.0	−2.8	1511.7	98.5
October	13.1	−0.9		1528.3	98.6

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1984	118.9	−9.0	3.1	0.5906	100.6
1985	132.4	−5.7	4.7	0.5891	100.0
1986	106.3	−14.2	−0.3	0.6709	91.5
1987	112.3	−18.4	−5.9	0.7047	90.1
1988	120.9	−32.5	−23.4	0.6643	95.5
1989	137.3	−36.6	−30.3	0.6728	92.6
1990	142.7	−25.1	−20.1	0.7150	91.3
4th qtr.1990	36.6	−4.5	−2.7	0.7050	94.1
1st qtr.1991	35.5	−4.3	−3.7	0.7040	93.8
2nd qtr.1991	37.6	−3.0	−1.1	0.6942	91.4
3rd qtr.1991	38.1	−3.4	−2.5	0.6955	90.7
1990 November	12.3	−1.5	−0.87	0.7055	94.2
December	11.8	−1.3	−0.71	0.7123	93.3
1991 January	11.7	−1.9	−1.72	0.7048	94.1
February	11.7	−1.1	−0.90	0.7071	94.3
March	12.0	−1.2	−1.05	0.7005	92.9
April	12.2	−1.2	−0.58	0.6917	92.3
May	12.3	−1.3	−0.66	0.6926	91.7
June	13.0	−0.5	0.13	0.6984	90.2
July	12.7	−0.9	−0.59	0.6962	90.3
August	13.0	−1.2	−0.90	0.6990	90.7
September	12.4	−1.3	−1.01	0.6914	91.0
October	12.4	−1.1	−0.86	0.7022	90.5

All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.





Source: World Debt Tables 1991-92, World Bank

An aggressive sales pitch from the World Bank

THE WORLD Bank was in assertive mood in its latest analysis of the external debt position of developing countries. The 1990s could be a much better decade for the developing world than the 1980s, the 1991-1992 World Debt Tables said, but only if both creditor and debtor countries do the right thing. They would do well to heed the Bank's advice.

It should not be difficult to improve on the miserable experience of the past decade. For the bulk of the developing countries, the 1980s were a period of high debts, low investment and slow growth. The inability of many severely indebted countries to service these debts triggered a collapse in the willingness of private sector creditors to lend.

Consequently, the real net resource flow from the developed world fell in every year between 1980 and 1987, as the chart shows. Net transfers, which subtract interest payments from the net flow of grants and loans, were negative between 1984 and 1988.

The aggregate position has improved in recent years. Real resource flows have been rising since 1987, although they are expected to fall by 1 per cent in 1991. Net private loans have recovered a little, while net foreign direct investment (FDI) has risen from 11 per cent of total flows in 1980 to a projected 29 per cent in 1991.

Yet not all countries have benefited. The east Asian low and middle-income countries have received most of the extra resources since 1987. Latin America and east Asia split, roughly equally, 82 per cent of total FDI this year. Meanwhile, sub-Saharan Africa, which includes most of the severely indebted, low-income countries, received just 3 per cent of the total.

For the east Asian countries, FDI represented 44 per cent of their total inflow in 1991. The counterpart of the remaining 56 per cent has been rising external indebtedness. But the export performance of these countries has been sufficiently strong to reduce the ratio of outstanding debts to exports from 137 per cent in 1985 to 88 per cent in 1991.

Sub-Saharan Africa, by contrast, has been slowly strangled by its growing debt burden. Heavy debts, and mistaken economic policies, have scared off private investors. The share of official loans and grants in total resource flows to these countries has doubled to 86 per cent over the last decade, compared with just 12 per cent in east Asia.

Consequently, the debt/export ratio of these countries has risen from 233.8 per cent to 340.8 per cent between 1985 and 1991. Much of the debt is now held on concessional terms. But their ratio of debt-service payments to exports is still 47 per cent larger than that of the east Asian countries, while their future growth prospects are much worse.

How can the current plight of these countries be transformed into something resembling the east Asian situation? The World Bank argues that there are two necessary conditions. First, they must correct any fiscal imbalances, liberalise their economies, invest in education and health and provide a more hospitable regulatory regime for FDI.

Second, "debt reduction may be a necessary, but not a sufficient, condition for progress towards external viability". Unsustainably heavy debt burdens reduce the incentive to reform and discourage investment. Repeated debt rescheduling creates uncertainty about the future course of policy, while the growing default risk deters investment.

The case for debt reduction has been strengthened by the recent Latin American experience. Over the past three years, Chile, Mexico, and Venezuela have all combined debt reduction with serious structural economic reform. Far from discouraging foreign investors, this combination has created a perception of improved credit-worthiness. All three countries have experienced improved access to private capital markets.

It appears, then, that it takes three to tango. The developed countries must hurry up and agree a debt reduction scheme for heavily indebted low and middle debtor nations – a sort of bankruptcy procedure. Meanwhile, the heavily indebted countries must embark on World Bank-style reform programmes. The World Bank report makes a compelling sales pitch for its own services.

Edward Balls

ECONOMY

Slow pace of recovery prompts tax cut debate

By Philip Stephens, Political Editor

THE weakness of the UK economic recovery has opened an intense debate within the government about the potential for budget tax cuts to provide a springboard for the Conservative general election campaign.

Mr John Major dismissed talk yesterday of a rift with Mr Norman Lamont, the chancellor of the exchequer, over economic strategy. Other ministers, however, contributed to growing speculation that the government might follow last week's emergency housing package with a pre-election relaxation of fiscal policy.

The overall shape of the annual budget, expected in early March, has already been discussed by Mr Major and Mr Lamont, with both acknowledging that the government must not jeopardise its reputation for fiscal prudence.

Gloomy forecasts for what one member of the cabinet referred to as a "painfully slow" recovery have led some colleagues, however, to question Mr Lamont's instinctive caution over tax cuts.

At least one of the chancellor's most senior colleagues intends to press the case for a 1p reduction in the basic rate of income tax at a series of election planning meetings at Chequers in the New Year.

Other ministers are lobbying for a range of pre-election

Major: denies rift

"sweeteners" ranging from tax concessions for working mothers to a Treasury commitment to fund in full generous settlements for several groups of public sector workers.

Mr Major is understood to be sympathetic to the idea of an extension of the present, limited, tax relief for workplace nurseries and to be determined that teachers should get a "fair" deal as a result of the establishment of their new pay review body.

As the opposition Labour party predicted yesterday that poll tax bills in April were likely to rise much more sharply than the government has forecast there were signs also that the Treasury would face demands to provide more public money.

The reaction on foreign exchange markets to last week's rise in German interest rates and the reduction in US rates has persuaded ministers that it will be impossible in the short term to cut British borrowing costs without risking a run on sterling. The Treasury acknowledges that in the worst case it actually might be forced to raise rates.

That has focused the attention of ministers on the scope for a relaxation of fiscal policy to restore confidence in the economic outlook. Up to now the prospect of a sharp rise in public borrowing next year – City estimates centre on £20bn – have tended to reinforce Mr Lamont's caution.

Most of the chancellor's colleagues accept his argument that the government must do nothing to jeopardise its still powerful reputation with the electorate for prudent economic management.

There are signs, however, that despite the latest rise in the jobless total, the government will spend less than it forecast on unemployment benefit and that overall borrowing remains under control.

German pay bargaining likely to survive reunification

By David Goodhart, Labour Editor

GERMANY'S system of Co-ordinated Pay Bargaining (CPB) will withstand the pressures created by reunification and has important lessons for the UK, according to the latest report from Campaign for Work, the independent think-tank on unemployment.

A strong tradition of co-ordination among employers and an understanding by unions of the need for the tradeable sector to remain internationally competitive, will enable Germany to adjust to its current slowdown more quickly than Britain is adjusting to the discipline of ERM membership, according to Mr Karl Koch at the University of Surrey.

He argues that the sudden shock of reunification had put pressure on pay settlements but without CPB, cemented by strong employer organisations, pay settlements in western Germany would have increased even more. "This is because in an unco-ordinated pay bargaining system pay leapfrogging emerges during periods of strong economic growth," says Mr Koch.

With a downturn in the German economy expected next year, employers are anticipating a moderation in pay settlements and the CPB will once again prove its value, the report adds.

● Britain's system of National Vocational Qualifications (NVQs) will be recognised throughout the European Community following political agreement last week on a Single Market directive on qualifications.

Employment Minister, Viscount Ullswater, welcomed the move which will allow UK citizens to enter occupations which were previously restricted by national qualification regulations in other EC countries.

"This is an important breakthrough for NVQ's. The directive takes account of our belief that qualifications should indicate standards of competence achieved, and what people do. It reflects fully the differing traditions, practices and approaches of member states," said Viscount Ullswater.

'Vorsprung durch Technik' eludes Ford

FORD of Europe, regarded in the second half of the 1980s as one of the most efficient car makers in Europe, has slipped badly in the last two years, and its performance has been dragged down chiefly by its operations in Britain writes Kevin Done.

It admitted to union leaders in October, that its high costs had pushed it into fifth place – ranked by costs – ahead of only Volkswagen among Europe's big six car makers.

The yawning gap that exists between its European plants and equivalent car plants in Japan is confirmed by a confidential report by the US car maker, which says that Ford required 52 hours to build a Fiesta in the UK at its Dagenham plant in 1990 compared with 33.3 hours at Valencia, Spain, 29.9 hours at its Cologne plant, in plant and an estimated 20 hours for an equivalent car in Japan.

Most alarmingly, however, the report details how far Ford's UK plants lag behind the productivity and costs of its continental European car and van plants.

Ford of Britain, which has improved its export performance in 1991, admitted earlier this year that this had not assisted profits "by anything like it should have done because it exposed our fundamental problem – the higher cost of making vehicles in Britain compared with the continental plants."

According to the confidential report Ford needed 63.8 hours to build an Escort at its Halewood plant in north west England in 1990 compared with only 33.9 hours per car at its Saarlouis plant in Germany. The figures are based on salaried and hourly paid employees.

Ford was hit by serious labour disruptions at Halewood in 1990, including a seven-week strike, but in spite of improvements a wide gulf in its performance has remained this year. The report forecasts 43 hours per car at Halewood for 1991 compared with 30.5 hours at Saarlouis.

A large productivity gap also exists between Ford's Southampton plant and its Genk plant in Belgium, which both produce the Transit van. For 1991 Ford has forecast that it would require 64 hours to produce a Transit in the UK but only 45.1 hours in Belgium.

The annual working hours of Ford's British workers are longer than at any of its other European operations in Germany, Belgium, Spain or France.

Ford's hourly-paid day shift employees work 1,747 to 1,766 hours per year in the UK compared with 1,590 to 1,612.5 hours in Germany, 1,713 in Spain, 1,731.5 to 1,755 in Belgium and 1,725 to 1,748 in France.

In spite lower wage rates in the UK, the lower productivity means that Ford's labour and overhead costs per car are much higher in the UK, according to the internal company report.

It forecasts a labour and overhead cost in 1991 of $1,344 to produce a Fiesta at Dagenham compared with $1,084 for a Fiesta in Cologne and $912 in Valencia. On the same basis it forecasts a cost of $1,481 per Escort in Halewood compared with $1,070 in Saarlouis. A similar gap exists for the Transit van between $1,863 at Southampton and $1,445 at Genk.

Despite the gulf between the performance of Ford's UK and continental European plants, the British plants have improved in 1991.

The Ford report shows that the Halewood plant achieved 99.5 per cent of its production schedule in the first six months of 1991 compared with 69.5 per cent in the strike year of 1990.

At the same time the Dagenham car assembly operation was forecast to improve its labour and overhead costs position by 10.8 per cent in 1991 following an 11.7 per cent improvement in 1990.

Product quality has also improved allowing Ford of Britain to begin export programmes to continental European markets from both Halewood and Dagenham. Around half of Dagenham's output of 223,000 Fiestas has been exported this year.

Ford had warned in an internal company memorandum in the middle of last year to senior managers at Dagenham, that "the survival of this plant depends totally upon achieving improved quality, reliability of supply and productivity."

Last week Ford announced that it would also begin exporting Escort cars from Halewood to continental European markets for the first time from the New Year.

There has been speculation about Ford's long-term commitment to car assembly at Halewood because of its troubled history.

Mr Albert Caspers, Ford of Europe's vice president for engineering and vehicle manufacturing, said, however, that the decision to start exporting cars from the plant reflected the progress made by the workforce in achieving "improved performance targets."

The Halewood plant had "a chance now to break into export markets, to consolidate its position as an established supplier and to demonstrate its ability to achieve continuous performance improvement."

FORD of EUROPE – labour productivity

HOURS PER VEHICLE*	1989	1990	1991 – Forecast
Cologne - Fiesta	33.5	29.9	28.5
Valencia - Fiesta	35.0	33.3	34.1
Dagenham - Fiesta	59.4	52.2	40.0
Saarlouis – Escort	29.5	33.9	30.5
Halewood – Escort	56.7	63.8	43.0
Genk – Transit	48.7	45.7	45.1
Southampton – Transit	70.4	73.2	64.0

*Figures based on salaried and hourly-paid employees
Source: Internal Ford report.

Unions threaten action over VDUs

By Diane Summers, Labour Staff

THE GOVERNMENT could face a legal challenge from unions over its planned interpretation of European Community rules on the protection of workers using visual display units (VDUs).

The Trades Union Congress (TUC), the umbrella body representing most of Britain's unions, is angry about proposals contained in a Health and Safety Executive (HSE) consultation document on VDUs due to be published in January. The EC rules have to be incorporated into British legislation by the end of next year.

The most controversial of the HSE proposals concerns eye tests for employees. Under the EC directive, free eye tests and, if necessary, free glasses will have to be provided for VDU workers. Employers have been concerned that this could expose them to high costs since tests and glasses are no longer available free under the National Health Service.

The HSE consultation document will propose considerable limitations to employers' liabilities on eye tests and glasses.

The introductory text to the consultation document will contain a statement about the TUC's concerns over the legality of the proposals. Unless changes to the proposals are made, unions could decide to press for a legal challenge to the government.

● A test case brought by a group of women National Health Service workers demanding the right to full pay during maternity leave has been referred to the European Court of Justice by the Court of Appeal in Belfast.

At the heart of the issue is whether women, who under UK legislation and their contracts of employment are entitled to 18 weeks' maternity leave, are also entitled to full pay during the period.

Retailers reflect on a season of mixed fortunes

By Richard Donkin and John Griffiths

RETAILERS were nervously looking over their shoulders yesterday as slowly-filling tills threatened a miserable New Year in the boardrooms of some of Britain's best known stores.

Only the northern lights of centres like Glasgow, Newcastle, Leeds and Sheffield appear to have brightened an otherwise gloomy shopping season which has not even been ignited by wholesale Sunday opening in defiance of the law. But on London's Oxford Street, the hoped-for crowds of last-minute shoppers failed to materialise, and in most of the south east retailers reported at best a patchy Christmas. "The consumer-led recovery has not arrived – there's no question of that," said Mr Geoffrey Maitland Smith, chairman of Sears, which owns Selfridge's.

By contrast, Meadowhall, the £400m shopping park in Sheffield, northern England, has had 600,000 visitors a week for the past four weeks, 100,000 a week more than the same period last year.

Mr James Lindsay, managing director, in buoyant mood yesterday said: "I think Meadowhall is probably the most successful shopping centre in Europe." He claimed 72 per cent of its shops were in the top 10 of their respective leagues for takings and 28 per cent of those were the number one shops in their groups.

Average individual spends at weekends before the Christmas rush were running at £62 a head, higher than those at the MetroCentre in Gateshead, north east England, which is also posting visitor figures of around 600,000 a week, again up on last year's Christmas average.

Mr Ron Woodman, marketing manager, said shopping patterns had changed this year. People were planning their shopping more carefully and tending to buy practical items and fewer luxuries.

Mr Maitland Smith, meanwhile, said the public had latched on to the continual discounting habits of some stores.

"The growing practice of single-day promotions of the '20 per cent off everything' type may be lifting turnover by up to 40 per cent but it appears to be leaving those retailers with less profit than if they had left the idea alone."

The average size of transaction was smaller than in previous years, with an emphasis on small accessory items like perfume and ties, he added.

Hamley's, the Regent Street toy shop, was one of the few retailers that said it couldn't complain yesterday. Mr Gavin Brewer, the store manager, said Saturday had been a record day for takings even though the number of shoppers had been down on the previous two Saturdays.

At a time when the Nintendo Game Boy was heading the list of most popular toys he said people were still finding money to spend on traditional toys. One of the most popular gifts has been a limited edition teddy bear called Oliver at £84.99.

CONSTRUCTION CONTRACTS

Bypass plan

AMEY CONSTRUCTION has been awarded an £18.5m contract by the Department of Transport for the Berkhampstead bypass.

The scheme consists of the construction of around 11km of dual carriageway trunk road, with the construction of two grade separated junctions and the connection to a grade separate interchange. Also included are associated side roads, six overbridges and six underbridges.

Pipeline project

JOHN BROWN, part of Trafalgar House, is to proceed with work valued at £6.7m for a pipeline project in Thailand. The work, for Thai Petroleum Pipeline Company, includes the detailed engineering and procurement of a 234km pipeline, two terminals, a pumping station and auxiliary facilities.

The system will run from Sriracha to Saraburi.

Station roof

HT CONSTRUCTION has won three contracts totalling £5.6m. At Paddington Station the company has won a £4.1m contract to reconstruct the roof for British Rail Western Region.

In the Newbury area seven sewage treatment works are being refurbished under a £980,000 contract for Thames Water Utilities, while at Margate a bridge will be reconstructed on the A28 Canterbury Road under a £460,000 order for Kent County Council.

Housing units

ROOFF has secured a further design and build contract worth £2.76m for ASRA and Family Housing Association for 55 housing units at Wiltshire Road in Brixton.

Airport flooring

A £1.5m plus flooring contract at a new international terminal at Manchester Airport has been awarded to QUILIGOTTI.

Monitoring railway freight

MOWLEM MANAGEMENT has won a £26m contract from British Rail to manage the construction of a railway freight inspection facility for the Channel Tunnel which will be operated by British Rail's international freight arm – Railfreight Distribution.

The security and safety check facility comprises an eight track yard at Dollands Moor near Folkestone on the junction of the Channel Tunnel line and adjacent to the existing railway line in Kent.

Construction work will include the provision of offices for border control personnel, train crew and other railway related operations. At each end of the site there will be two in situ concrete subways, each some 70 metres long and connected into the new concrete access roads between the sidings. These subways and access roads will be used for inspection vehicles.

Also included in the works is the installation of a security system which will incorporate state of the art technology, as well as the installation of the more usual signalling, lighting and electrification power services associated with the 27 kilometres of track.

Drainage and enabling works are already being carried out on site with the major works due to start on January 2. Completion of the project is scheduled for December 31 next year.

Major Tesco superstore developments

COSTAIN BUILDING & CIVIL ENGINEERING has been awarded three contracts believed to be worth in the region of £20m by Tesco Stores.

The largest is a design and construct contract to build a 5,950 sq metre superstore and filling station in Brown Street, Trowbridge, Wilts, with associated riverworks to the River Biss and road improvements adjacent to the store. The construction of the store cannot commence until the river diversion, piled retaining walls, timber footbridge, weirs and revetments are finished. Completion is due in April 1993.

The second contract is for the clearance of a site in Abbots Ripton Road, Huntington, followed by the design and construction of a 5,480 sq metre superstore with petrol filling station. The superstore will be constructed on mass concrete foundations with a structural steel frame, clad in brick and block cavity walling. Completion is due in August 1992.

The smallest of the three, located in Bedford Street, Covent Garden, London, includes the fitting out of the retail element of a shell at basement, ground and first floor levels. The store will have a floor area of 1,000 sq metres. The contract is due to be completed in May.

Scottish hospital reorganisation plan

HENRY BOOT has been awarded the contract for the construction of a £16m hospital in Oban for the Argyll and Clyde Health Board.

The hospital is to be built under a design and construct contract by Henry Boot Scotland and will replace the West Highland, County, McKelvie, Dalintart and maternity hospitals.

Within the new hospital there will be 138 in-patient beds; a day hospital; accident and emergency and out-patient departments; operating theatre and endoscopy suite; X-ray, physiotherapy, catering and administration departments as well as residential accommodation for nurses and doctors.

Completion of the project is scheduled for November 1994.

Docklands housing association project

LOVELL CONSTRUCTION has been awarded a £7.6m design and build contract by Crystal Palace Housing Association to build flats and houses at Needleman Street, Surrey Quays in London's Docklands.

The 94-week contract involves the construction of 176 flats, of which 82 are one-bed, 89 are two-bed and five are three-bed. In addition, nine two-storey three-bed houses are to be built, making 185 dwellings in all.

The development is directly opposite an earlier Lovell housing project in Wolfe Crescent and is bounded by the Albion Channel, Needleman Street, Poolmans Street and the footpath/cycleway of Albatross Way.

The buildings are designed in three distinct elements: a main four-storey block of 143 flats; three separate octagonal four-storey blocks of flats, each of 11 units; and a crescent of nine three-bed houses.

All properties will be on piled foundations with load-bearing walls supported on suspended reinforced concrete ground beams.

The Oaks Partnership is acting as project manager on behalf of Crystal Palace Housing Association.

Hospital work for Laing Southern

LAING SOUTHERN's order book has been given a healthy boost with the award of £10m worth of hospital contracts.

The largest is a £7.4m contract awarded by South West Thames Regional Health Authority for a two phase extension to Frimley Park Hospital in Camberley, Surrey.

Phase I will comprise a three-storey nucleus style building plus a three-storey block, a main entrance with lifts and links to the hospital. The second phase includes a two-storey catering building and a further extension and alterations within the hospital courtyard.

When the contract is completed in February 1993 the buildings will house 90 extra beds, increased intensive care facilities, a post-graduate medical centre, a pharmacy and an extension to the X-ray department.

Laing Southern has also won a £2.6m design and construct contract for a 40-bed home for disabled people at Holy Cross Hospital, Haslemere. When completed next September, the two-storey building will provide rooms and special facilities for severely disabled patients. The nurses home will also undergo a series of improvements including new heating, plumbing and electrical services.

£18m work awarded to Osborne

Construction group GEOFFREY OSBORNE has been awarded £18m of new contracts. The largest at £6.2m is for British Rail. This is for the second stage of a design and management contract to construct maintenance facilities at Salisbury.

The south east regional office is starting work on a £3.4m superstore at Faversham, Kent, for the Co-operative Society. Work is expected to take 42 weeks. It is also building a £1.3m indoor bowls centre for Sevenoaks District Council at Swanley, Kent.

The Thames Valley office is carrying out a £620,000 contract to build a library and classroom block at Marymount International School at Kingston for Sisters of the Sacred Heart of Mary.

This office is also constructing a £2.7m scientific research factory at Egham, Surrey for CAB International. At Esher in Surrey a £1m contract has been awarded for a two-storey extension at the Princess Alice Hospice, and at Uxbridge Road, London W12 the division is building offices for Lancer Properties.

A £750,000 contract for inlet works at Aylesford Water Treatment Works as well as a bypass and pipeline at Allington Pumping Station has been awarded to the civil engineering division by Southern Water Services.

A yacht club is under construction for Chichester Yacht Club. The £330,000 contract is for a single-storey club house and is due for completion next April.

Business park

TARMAC CONSTRUCTION has landed a contract to build the first development on the new airport business park alongside Cardiff Wales Airport. A contract for a £2.2m centre with workshop, training blocks and a canteen, has been awarded by South Glamorgan County Council, which is developing the business park at Tredogan, near Barry.

Tarmac Construction's contract housing division has been awarded contracts to improve 89 houses for Kingston-upon-Hull City Council at a cost of £1.9m and to renovate 77 homes at Bellshill, Lanarkshire, for Motherwell District Council for £1.8m.

THE WEEK AHEAD

ECONOMICS

Ripples from the Bundesbank

MONEY and foreign exchange markets are set to quieten down around Christmas after last week's interest rate mayhem – with the Bundesbank raising rates by half a percentage point only a day before the Federal Reserve cut US rates by twice as much.

With the Bundesbank clearly determined to meet its 2 per cent inflation target, analysts expect this goal to be achieved at the expense of a marked economic slowdown in 1992.

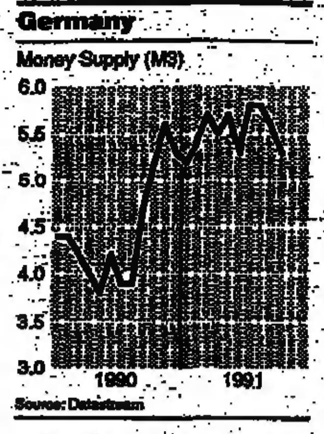
The year-on-year growth in M3, the broad money measure, rose to 4.8 per cent in October compared with September's revised 4.5 per cent – still fuelled by the vigorous growth in bank-lending. It is expected to be rising by 5 per cent in November.

The pace of monetary expansion might slow after the Lombard rate rise, but the Bundesbank will be unlikely to relax until M3 sinks back into the bottom end of its 3 per cent to 5 per cent growth target range.

Consumer prices data are likely to show that West German inflation remained above 4 per cent and are set to stay there for the next six months or so. Import prices are expected to fall by around 0.5 per cent, reflecting the softness of dollar-denominated energy prices.

No such inflation-consciousness appears to beset the US monetary authorities, who acted to avert a double-dip by sharply easing borrowing costs on Friday.

Germany



Source: Datastream

Today: Japan, Emperor's birthday, all markets closed. US, November personal incomes, November personal consumption expenditure. UK, November building society commitments (3.7bn), visible trade balance (down £750m), current account (down £450m). Canada, October retail sales (down 1.9 per cent), October wholesale trade (down 0.2 per cent).

Tomorrow, Christmas Eve: US, November durable goods orders, November durable shipments. France, November trade balance (down FFr5bn). Japan, October leading diffusion index. Canada, October real gross domestic product (GDP) at factor cost.

Wednesday, Christmas Day: World, all major markets closed except Japan; Bank of Japan governor Mieno holds regular press conference.

Thursday, Boxing Day: Europe, Oceania, all markets closed except France. US, money supply, initial claims for week ended December 16. Japan, November retail sales (year-on-year 4.8 per cent), industrial production, provisional, (down 0.2 per cent). November construction orders, housing starts. Japan, November construction starts, trade balance, current account, foreign bond investment.

Friday: US, November export price index, import price index, bank credit, industrial and commercial loans. Japan, December consumer prices index (Tokyo y/y 3.3 per cent, national 3.2 per cent), November unemployment rate.

During the week: Germany, December provisional cost of living (month-on-month 0.1 per cent, y/y 4.2 per cent), November import prices (m/m down 0.4, y/y down 1.8 per cent), November M3, vs quarter 4 base. France, November unemployment rate (9.7 per cent).

Rachel Johnson

UK COMPANIES

■ TODAY

COMPANY MEETINGS:
Moran Hldgs., Minivar House, 19-20 Garlick Hill, E.C., 11.30
Principal Hotels, The Royal York Hotel, Station Road, York, 10.00
Select Appointments, 25, Sackville Street, W., 3.00

BOARD MEETINGS:
Interims:
Caspen Oil
Northamber
Radiant Metal Finishing

■ FRIDAY DECEMBER 27

BOARD MEETINGS:
Interims:
Jones & Shipman

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbey Natl. Treasury Servs. 8% Gtd. Nikkei-Linked Nts. 1994 4pc.
Bank fur Arbeit und Wirtschaft AG Sub. Fltg. Rate Nts. 1999 $337.24
Citicorp Fltg. Rate Sub. Cap. Nts. 19/9/96 $142.19
Drayton Cons. Tst. 9.75p
FR 4.2% 2nd Prf 2.1p
Hercules 56cts.
Italy (Rep. of) Fltg. Rate Nts. 2000 $327.80
Leeds Permanent Bldg. Soc. Sen. Var. Rate Nts. 1994 £276.12
Do. Sub. Var. Rate Nts. £276.12
Marine Midland Bank NA Fltg. Rate Sub. Cap. Nts. 1996 $143.77
Midland Bank Und. Fltg. Rate Prim. Cap. Nts. (June 1985 issue) $343.66
Narborough Plantations 1p
Woolwich Bldg. Soc. 9¼% Fixed/Fltg. Nts. 1995 256.62

■ TOMORROW
Manchester Corp. 4% Cons. Irrd. 2pc.
Do. 3% Red. Cons. 1928 (or after) 1.5pc.
Metropolitan Water Kent Waterworks 3% Deb. 1.5pc

■ FRIDAY DECEMBER 27
Anglo American Coal 150cts.
Ash & Lacy 8% Deb. 87/92 4pc.
Black & Decker 10cts.
Britannia Bldg. Soc. Fltg. Rate Sub. Nts. 2006 £3906.13
British Aerospace 11⅞% Bds. 2008 £849.14
Cardiff Automobile Receivables Sec. Fltg. Rate Nts. 1995 £263.34
Commonwealth Bank of Australia 10 year Gtd. Ext. Fltg. Rate Cap. Nts. $329.78
EE Finance 8¼% Gtd. Exch. Bds. (Reg.) 2006 5.22569pc.
Do. 8¼% Gtd. Exch. Bds. (Br.) 2006 5.22569pc.
Geest 3.6p
Gracechurch Mortgage Finance Mtg. Backed Fltg. Rate Nts. 2019 £2885.46
Jersey Phoenix Tst. 1.25p
Jeyes 2.6p
Lex Service 8½% Sec. Ln. 1992 4.25pc.
Lon. & Strathclyde Tst. 4.25p
Natl. & Provincial Bldg. Soc. Fltg. Rate Nts. 1996 £130.11
Portsmouth & Sunderland Newspapers 2.73p
River & Mercantile Geared Cap. & Inc. Tst. 1.4p
Saitama Bank Fltg. Rate Sub. Ln. Ptpn. Cert. 2000 $147.24
Scandinavian Finance BV Fltg. Rate Ser. Nts. 1993 $200.16

■ SATURDAY DECEMBER 28
GKN 6½% Uns. Ln. 88/93 3.25pc.
Do. (UK) 7¾% Gtd. Deb. 87/92 3.875pc.
Do. 7¾% Gtd. Deb. 87/92 3.875pc (2nd ser.)
Do. 9¾% Gtd. Deb. 91/96 4.875pc.
Do. 10½% Gtd. Deb. 90/95 5.25pc.
Do. 10¾% Gtd. Deb. 92/97 5.375pc.

LEGAL NOTICES

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

In the Matter of the NEW YORK AGENCY of the BANK OF CREDIT AND COMMERCE INTERNATIONAL, S.A.

NOTICE OF CLAIMS PROCESS AND RELATED BAR DATE FOR FILING PROOFS OF CLAIM

NOTICE IS HEREBY GIVEN THAT the Superintendent of Banks of the State of New York (the "Superintendent"), pursuant to Section 620 of the Banking Law of the State of New York (the "New York Banking Law"), has made December 9, 1991 the first date on which claims against the New York Agency (the "Agency") of the Bank of Credit and Commerce International, S.A. ("BCCI S.A."), may be filed in accordance with the process for determining and paying claims against the Agency prescribed by Article XIII of the New York Banking Law (the "Claims Process"). THE LAST DATE AND TIME WHEN PERSONS MAY FILE CLAIMS AGAINST THE AGENCY IS MARCH 27, 1992, AT 5:00 P.M., EASTERN STANDARD TIME (THE "BAR DATE"). Only claims filed on or before the Bar Date will be considered by the Superintendent in accordance with the provisions of Article XIII of the New York Banking Law.

IF YOU ARE ENTITLED TO FILE A PROOF OF CLAIM BUT FAIL TO DO SO IN THE MANNER PRESCRIBED ON OR BEFORE THE BAR DATE STATED ABOVE, YOUR CLAIM WILL BE FOREVER BARRED, YOU WILL NOT BE ENTITLED TO ANY DISTRIBUTION ON THAT CLAIM AND YOU WILL RECEIVE NO FURTHER NOTICES REGARDING YOUR CLAIM. All claims against the Agency of whatever character, whether secured or unsecured, liquidated or unliquidated, fixed or contingent, must be presented in the Claims Process.

1. GENERAL

The Superintendent took possession of the business and property of the Agency on July 5, 1991 pursuant to Section 606 of the New York Banking Law and is currently taking steps to effect the complete liquidation of the Agency.

2. WHO MAY FILE

Any person having a claim against the Agency, or such person's duly appointed and authorized personal or legal representative, may file a Proof of Claim in respect of each claim arising out of a distinct transaction or series of transactions with the Agency, regardless of when such claim arose or the nature or type of such claim (subject to Section 3 below). Where more than one person is interested in or is making a claim, then all must complete and file a Proof of Claim together. All claimants must file a Proof of Claim in the Claims Process, even if a claim was previously made known in some other way to the Agency or to New York State Banking Department staff.

3. WHO MAY NOT FILE

A person may *not* file a Proof of Claim in respect of any of the following:

(a) a claim arising out of transactions with offices of BCCI S.A. other than the Agency or out of transactions with entities affiliated with BCCI S.A. in any other way;

(b) a claim not representing an enforceable legal obligation against the Agency if the Agency were a separate and independent legal entity; or

(c) a claim representing an amount due or other liability to another office or branch of, or wholly owned (except for a nominal number of directors' shares, if any) subsidiary of, BCCI S.A.

Persons having a claim that falls into categories (a), (b) or (c) above may need to pursue it in separate and different proceedings not administered by the Superintendent and should contact Brian Smouha, Commissaire, BCCI, S.A., 25 Boulevard Royal, 2449 Luxembourg, for further information.

4. PROOF OF CLAIM REQUIREMENTS; PRIORITY OF PAYMENT ASSERTIONS

A person entitled to file a claim against the Agency must complete and file a Proof of Claim in the form adopted by the Superintendent, together with all supporting documentation specified in the instructions thereto, in respect of each claim arising from a distinct transaction or series of transactions with the Agency. All persons having claims for priority of payment shall make demand in writing for priority in the place indicated in the Proof of Claim.

If this notice was received by mail, it is accompanied by a blank Proof of Claim and the instructions relating thereto. Persons receiving this notice by publication or any other means may obtain a Proof of Claim and the instructions relating thereto by writing to the New York State Banking Department, c/o BCCI S.A., 530 Fifth Avenue, Seventh Floor, New York, New York 10036, Attention: Request for Proof of Claim. Persons requiring additional Proofs of Claim must make such copies for themselves. All Proofs of Claim are required to be prepared in the English language.

5. DEADLINE FOR FILING; WHERE TO FILE

The Bar Date, the deadline for filing all Proofs of Claim, is 5:00 p.m., Eastern Standard Time, on March 27, 1992. Each Proof of Claim must be either mailed or delivered to the following address:

Salvatore Morabito
Special Deputy Superintendent
New York State Banking Department
c/o BCCI S.A.
530 Fifth Avenue
Seventh Floor
New York, New York 10036

If mailed, a Proof of Claim must be postmarked on or before March 21, 1992. If delivered, a Proof of Claim must be received by the Special Deputy Superintendent or his staff on or before the Bar Date. NO PROOF OF CLAIM IS FILED UNTIL IT IS RECEIVED BY THE SPECIAL DEPUTY SUPERINTENDENT OR HIS STAFF.

6. FURTHER INFORMATION

If you have questions about this notice, or if you desire a Proof of Claim, you may contact by telephone either Salvatore Morabito at (212) 789-8620 or Harry J. Morpurgo at (212) 789-8681 during the hours of 9:00 a.m. to 5:00 p.m., Monday through Friday, or write to Mr. Morabito at the address given above. ALL OTHER QUESTIONS, SUCH AS WHETHER YOU SHOULD FILE A PROOF OF CLAIM OR TAKE ANY OTHER ACTION WITH RESPECT TO YOUR CLAIM, SHOULD BE DIRECTED TO YOUR ATTORNEY.

Dated: New York, New York
December 9, 1991

CLEARY, GOTTLIEB, STEEN & HAMILTON
Attorneys for the Superintendent of Banks of the State of New York
One Liberty Plaza
New York, New York 10006
(212) 225-2000

LONDON & OVERSEAS (INVESTMENTS) LIMITED
Registered in England No: 946881

NOTICE IS HEREBY GIVEN that at an Extraordinary General Meeting of the above named company held on 19th December, 1991, a special resolution was duly passed that a payment of £178,000 out of the Company's capital (as defined by section 171 and 172 of the Companies Act 1985) in respect of the purchase by the Company from Anthony Gordon-James and Brenda Maeve Gordon-James of a total of 75,000 Ordinary Shares of 10p each under section 162 of the Companies Act 1985 be authorised;
the amount of permissible capital payment under sections 170, 171 and 172 of the Companies Act 1985 was £178,000;
the statutory declaration and the report of the auditors required by sections 173 and 174 of the Companies Act 1985 both of which are dated 19th December, 1991 are available for inspection at the offices of the Company being Number Four, 27 St. James's Street, London SW1A 1HA; and
any creditor of the Company may apply to the High Court under sections 176 and 177 of the Companies Act 1985 within a period of five weeks immediately following 19th December, 1991 for an order prohibiting the payment.

Dated: 23rd December, 1991.

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS

Name of Company: Rich'd W. Carr & Company Limited
Registered No: 333413
Trading name: Rich'd W Carr & Company Limited
Carrs Special Steels
Carrs Tool Steel Services
Trade classification: 06
Name and address of joint administrative receivers:
David John Stokes
and Michael Joseph Moore
Cork Gully
1 East Parade
Sheffield S1 2ET
Office holder numbers: 282 and 5582
Date of appointment: 13 December 1991
Name of appointor: Yorkshire Bank
Date: 14 December 1991.

No. 0013829 of 1991
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF HEYWOOD WILLIAMS GROUP PLC
AND
IN THE MATTER OF THE COMPANIES ACT 1985

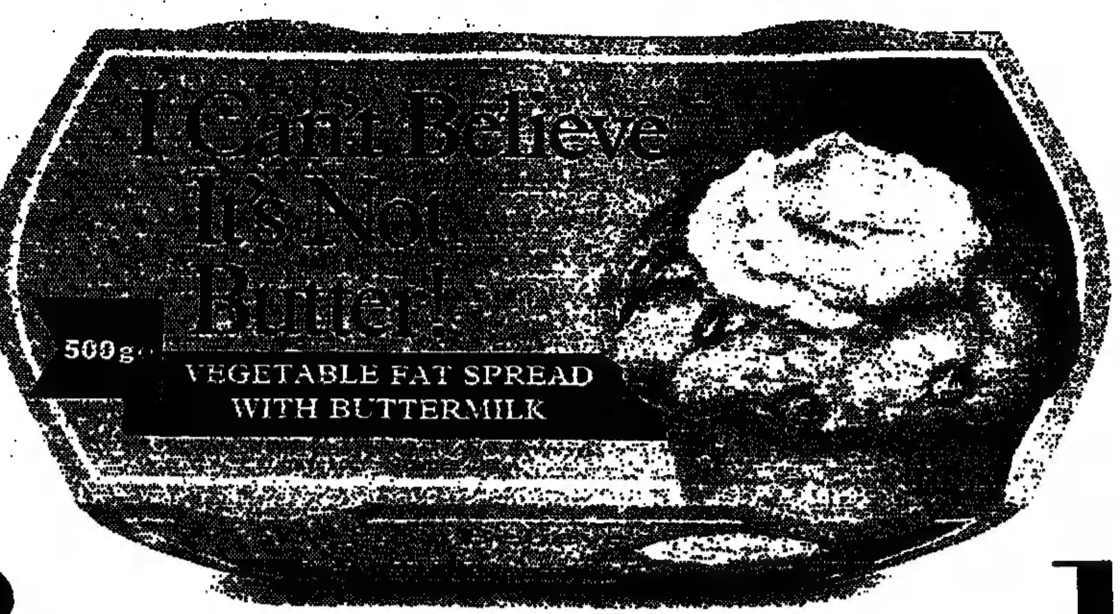
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 16 December 1991 confirming the cancellation of the Share Premium account of the above-named Company in the amount of £30,901,729 was registered by the Registrar of Companies on 19 December 1991.
Dated this 20 day of December 1991
ASHURST MORRIS CRISP
Broadwalk House
5 Appold Street
London EC2A 2HA
Solicitors for the Company
Ref: EAM/0248L

COMPANY NOTICES

QUEBEC CENTRAL RAILWAY COMPANY 4% FIRST MORTGAGE DEBENTURE STOCK

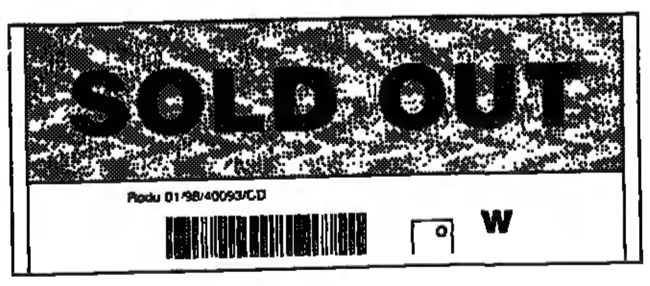
In preparation for the payment of the half-yearly interest due February 1 1992 on the above stock, the transfer books will be closed at 3.30 p.m. on January 17 1992 and will be re-opened on January 27 1992.

D. R. Keast
Assistant Secretary
62-65 Trafalgar Square,
London, WC2N 5DY.
December 23 1991



Banned from advertising on T.V. Forced to advertise in the newspapers.

Talk about a lucky break.



IN OCTOBER THIS year, Van den Berghs planned to launch their new vegetable fat spread, "I Can't Believe It's Not Butter!"

At the last moment, their heavyweight nationwide television campaign was banned. (The offensive word was "Butter." Hard to believe, but true.)

Van den Berghs reacted quickly, and switched their advertising to national newspapers.

The results were spectacular. After just one week "I Can't Believe It's Not Butter!" had achieved 37%* prompted awareness. A figure many supposedly more established brands have never reached, despite spending a fortune on television. After two weeks demand was so great that some retailers were selling out.

The top six grocery retailers increased their orders and another major retail distributor who hadn't considered stocking the brand quickly changed its mind.

All this was achieved on an initial spend of half the amount Van den Berghs had allocated for television.

They may have ended up in the newspapers by default, but Van den Berghs will be the first to tell you this was a lucky break.

For too long television has been cosily assumed the best place to advertise. Aided and abetted by agencies only too happy to perpetuate the pro-television hype.

Perhaps now a few minds will be opened. Because under the circumstances, it's hard to believe it's not better to advertise in the newspapers.

If you'd like more information, please call 071-433 1500.

PEOPLE READ NEWSPAPERS

This advertisement was placed by the Newspaper Publishers Association.

*Source: Audience Selection.

Security in Brazil

Targeting the kidnappers

Victoria Griffiths reports on executives who live in constant fear

It is not easy to be an executive in Brazil. Inflation is running at about 27 per cent a month, the recession is worse than ever and real interest rates exceed 20 per cent a month.

To make matters worse, Brazilian executives live in constant fear of being being held for ransom. Some 50 kidnappings occur each month in Rio de Janeiro and Sao Paulo alone.

Foreigners may take some comfort from the fact that they are rarely a target. Policemen put this down to xenophobia. Jose Luiz Fernandes, president of the Brazilian Association of Security Companies, however, believes it is because foreigners spend most on training and protection.

According to Fernandes, at least 10 companies in Brazil are in the exclusive business of shielding executives from kidnappers. "And 90 per cent of those firms' customers are multinationals," he added.

Brazilians rarely miss a good business opportunity and a multi-million industry has been built around kidnapping prevention.

To be fully protected, Fernandes estimates that an executive would have to spend at least $75,000 (£41,200) a year. The first step would be a visit to the Massari armoured car plant outside Sao Paulo.

Massari will bullet-proof any car for a minimum price of $40,000. "We can do anything from a Volkswagen Beetle to an imported model," said Stefano Massari, director of the group.

For another $10,000, the firm will bullet-proof tyres. Other James Bond-type options include anti-fire devices for the car's engine and a device which shoots tear gas at anyone approaching the car.

Rio executives spend $75,000 a year for kidnap protection

"Most of our customers are high-level businessmen," said Massari. "For $100,000 or less, we can turn a car into a military vehicle."

Even at that price, and in the midst of a nation-wide recession, Massari says his business is growing. "We sell about 10 cars a month - 20 per cent more than last year," he said.

The well-protected executive will also have specially trained security guards on duty 24-hours a day. Multinational companies like Citibank insist on placing security guards at the homes of all medium to high-level personnel.

At the top end of the market, these guards can cost $700 a day. Executive security companies do not just train body guards. The groups also do a background check on other household employees - maids, cooks, gardeners and nannies.

"Kidnappers often send someone ahead of time, usually a maid, to 'case' the house," said Hekel Raposo, an ex-policeman and vice-president of the Business Council for Public Security.

Many multinationals provide training for the executives as well. "This consists mainly of shooting lessons and defensive driving skills," said Fernandes.

And those who feel particularly at risk can always find peace of mind by buying anti-kidnapping insurance, with premiums of about 10 per cent of the potential ransom.

Such insurance policies are illegal but widely used in Brazil. Poor executives, increasingly at risk since kidnappers are moving down-market, are forced to rely on public advice pamphlets put out by organisations like the Business Council.

Hints offered in these brochures range from the mundane – own a guard dog or install an alarm system – to the status-battering "drive a cheap car".

Unfortunately for Brazil's kidnapping industry, the government is working on rules which would make it harder to collect a decent ransom. The new rules are modelled on Italy's anti-kidnapping legislation.

One of the most important laws under consideration would automatically freeze the assets of a hostage's family, to prevent any ransom from being paid at all.

If the new rules succeed in curbing kidnapping, life may soon become easier – and a lot cheaper – for Brazil's executives. Then again, with inflation and recession closing in, those target practice sessions may be sorely missed.

Hard hearts and soft centres

If you are planning to give your secretary a box of chocs for Christmas, think again. They don't like them.

Not one of the 322 secretaries interviewed by Business Pages, the classified information directory for people at work, said they were pleased when they were given chocolates.

The survey shows that most bosses get it consistently wrong when it comes to present giving.

A third of managers are too mean to give anything at all to their secretaries at Christmas time.

Those who do give, go for the classic unimaginative choices - chocolate, wine, or perfume. And the survey shows that drink and perfume go down almost as badly as chocolates.

Most secretaries complained that they had never received a present that was not utterly predictable.

Most said they were given the same unwanted gift year after year.

A few bosses branch out, but even these are not assured success. One secretary was perplexed rather than disarmed by the gift of an artificial hand.

Another was bitterly disappointed with her bag of pistachio nuts, while a table cloth failed to please a third.

Instead, if you really want to please your secretary give her a fat cash bonus.

Meanwhile, despite her almost certain disappointment with your offering, there is a good chance that she will put her hand in her pocket to buy you something.

But before you feel bad for being unimaginative, guess what her gift is most likely to be? Drink and aftershave.

Lucy Kellaway

Mel Smith (left) and Griff Rhys Jones: "Agreeing to Agree"

Fast forward to the sound of laughter

Paul Taylor reviews the video training market

Have you ever sneaked off in the middle of the afternoon to watch the triple bill, "Birds, Booze and Fags"?

These six-minute videos, which together cost more than £1,000, are proving popular among mangers.

But there is nothing naughty about them. Indeed, they are training videos dealing with sexual harassment, alcohol abuse and smoking at work.

They are distributed by Video Arts, which claims to occupy the number one position in the market for training videos – a market that is big and rapidly getting bigger.

The general idea is that managers are more inclined to absorb a message if it is presented in a simple, concise and preferably humorous way. Most of the 150 or so videos available from by Video Arts, and the scores by its competitors, are aimed at in-house company training sessions or seminars.

They are used to liven up tedious training sessions – the sort where most of the back row have left or fallen asleep by mid-afternoon.

To kick a seminar off with a song, there are "musical openers" like the 1950s rock-and-roll-style "The Customer is King" video. Other offerings include "subject icebreakers" like "Six short steps to sales disasters".

Such entertaining training and education does not come cheap.

Most of Video Art's titles run for between 15 and 30 minutes and cost £100 or more to hire for two days, around £185 for a week, or from about £600 to buy outright – considerably more than a video from the local rental shop, but still much less than the cost of sending a group of managers away to a seminar.

Do they represent value for money? Do they succeed in getting an important message across, or does the humour get in the way?

The success of Video Arts, and the emergence of imitators, is clear testimony to the popularity of the funny training film. But some people remain unconvinced of the suitability of humour as an aid to learning, finding the need to dish up facts with jokes irritating and a waste of time, condescending even.

Video Arts' supporters maintain that humour makes training less tedious. They say that the format disguises instruction as entertainment and finesses the training message rather than hammering it into people's minds.

According to John Cleese, the comedian and co-founder of Video Arts, training films are not just for putting information across. They are an attempt to change behaviour. The audience should become involved at a "gut level", either through drama or humour.

"If you just want to get facts across, don't waste your money on film. Film is very poor for informational approaches. Just give your employees a slide-tape presentation or, better yet, just give them a sheet of paper or a pamphlet," he says.

On average, a new Video Arts film takes take one to one-and-a-half years to research, write and re-write and three or four days to shoot. These days most film subjects are suggested by customers.

Aside from producing its own new films Video Arts has expanded its range of offerings by signing up international distribution agreements with other training programme producers in the US and the UK.

Video Arts' latest catalogue includes such nuggets as "Agreeing to Agree" starring Mel Smith and Griff Rhys Jones on the art of negotiation, "Cold Call" on telephone selling, "How to Lose Customers (Without Really Trying) and "Grime Goes Green" which explains the need for a corporate environmental strategy.

Critics of the genre question whether the audience gains anything from these films beyond some light relief and the strength to face the remainder of a training session.

They argue that some of the films seem keenest on raising a laugh and suggest there is a danger that the humour will obscure the message.

For those who prefer a more conventional approach to training videos, there are plenty of alternatives.

In the UK, other producers include Longman Training, Taylor Made Films and Melrose Film Productions which was recently acquired by BPP Holdings, the UK's largest publicly-quoted education group.

Recent releases range from "Accidents don't happen in the office" from Training Media Group, to "Computer Security" from Taylor Made Films and "Running a Meeting with Greville Janner" from Melrose Film Productions.

Others companies like TV Choice Productions began by making specialist training videos – in TV Choice's case mostly about business computing and information technology – but now make more mainstream business videos.

The company's latest video "You Want it When?" is designed to help embattled managers with too much to do and too little time to do it in, while a January release, "Marketing in the Real World" takes a cool, hard look at the realities of marketing.

While there may be disagreement over the most effective style of video for getting training points across, there is little disagreement that video itself is a powerful and effective training tool.

A study by the Wharton Business School found that video training can increase information retention by up to 50 per cent, compared with printed materials.

There is also little doubt about the size and potential of the market.

According to the American Society for Training and Development, US companies alone spend $210bn a year on all their training needs.

So although competition is a lot tougher than it used to be, there appears to be lots of space for video film makers – and the newly emerging video technologies like interactive video and satellite business television.

ARCHITECTURE

Bring back Arcadia into our parks

Colin Amery reviews some recent books on landscape and garden design

Which wizened old garden expert was it who answered every question with the words, "The answer lies in the soil"? Whoever it was, he was right. Designing gardens, making gardens, even thinking gardens, has a positive effect on life. It is the one area where it is possible for mere mortals to be creative on any scale and to feel, however remotely, some contact with nature.

It has long been my view that architecture and landscape/garden design should be inseparable. I am daily staggered by the lack of knowledge of plants and trees displayed by the average architect, and I am amazed that the syllabuses for the training of architects are so thin on subjects related to the natural world. The professional bodies that are concerned with landscape have never been as active or as innovative as the bodies with a more amateur membership concerned with gardening. Compare the activities of the landscape architects' professional body with those of the Royal Horticultural Society and you will see what I mean.

Publishers and the public are ahead of the professions and several important books published recently bear testimony to their far sightedness. *The English Park – Royal, Private and Public* by Susan Lasdun (André Deutsch £20.00) is an important new contribution to a fascinating and surprisingly under researched subject. Houses and buildings have received almost more than their fair share of scholarly work. Susan Lasdun's well illustrated book establishes the fact that there are strong historical links that span the time between the earliest deer parks and the municipal parks of today.

The belief in an ideal landscape is a powerful trigger for the creation of parks, and Lasdun indicates a kind of folk memory that we all share of an Arcadian place where peace and tranquillity reign. Her selection of a magnificent series of view paintings of 17th- and 18th-century country houses and parks, by artists like L.Knyff and J.Kip, is both instructive and beautiful. The inspiration of Versailles and the influence of its landscape designer Le Notre on the whole of Europe is clearly explained. It is amazing to read that 100-year-old oaks were physically transplanted to achieve some of the effects demanded by the King. Versailles also inspired the idea of the farm as a picturesque adjunct to a royal or nobleman's park.

Stephen Switzer, an 18th century populariser of landscape ideas argued for simplicity, for walks and groves, and for "profit and pleasure agreeably mixed" which gave plenty of scope for decorative farming. In her chapter on Victorian parks – rightly called "Park Mania" – a way of life is revealed that saw the public park as a place of recreation and display for all classes. *Rus in urbe* is mixed with practical ideas for recreation and sport and the visual results were very different from the idyllic visions of the eighteenth century. Susan Lasdun sees the history of landscape parks as an artist – and her strongly visual approach is an excellent route into a complex historical subject.

Creating Period Gardens by Elizabeth Banks (Phaidon £25.00) is an instructive and practical book by one of the top garden restorers in the country. If you want to know how to make a box knot or create some circular steps in the style of Sir Edwin Lutyens and Gertrude Jekyll the information is here. The plant lists are exemplary although I feel that the constant introduction of new plants is no bad thing even for period gardens – although I expect this is heresy to "authentic" gardeners. Elizabeth Banks does not simply concentrate on the grand gardens but shows how the practical inspiration of history can be applied to the garden of a 19th-century rectory or to the small gardens of the ubiquitous 19th-century suburban villa.

Woobourn Farm, Surrey, which was laid out in 1735, from 'The Landscape Park'

John Brookes is a popular figure in the gardening world and runs his school of landscape design from his own home. *John Brookes' Garden Design Book – The Complete Practical Guide to Planning, Styling and Planting Any Garden* (Dorling Kindersley, £19.95) is a testament to his immense labours. This book is tremendously good value and is really a garden design course in hard covers. Brookes is apparently willing to give away his trade secrets and says that the aim of the book is to try and bridge the gap between horticulture and garden design. However, I did not feel that it succeeded in raising any aesthetic expectations; although full of plans and good photographs I found it short on inspiration and I think this is due to the cursory way he deals with the history of gardening in his early chapter.

Designing the New Landscape by Sutherland Lyall (Thames and Hudson £29.95) is really a book about the work of a smallish group of Anglo-American landscape architects. It is a curious idea to claim for modern landscape architecture that it is in some way universal and not necessarily site specific.

Underlying this strange book are the same ideas of universality that were prevalent in the modern architectural style known as The International Style. The application of abstraction to nature is an architectural idea that is basically sterile. The endless examples shown in this book of "new" landscapes are visually very ugly. They appear to be the products of drawing board designers who are not in tune with nature demonstrating more clearly than any words the need for a new approach to the education of landscape designers for the 21st century.

Alastair Muir

The sort of show that gives panto a good name: Cilla Black and Jean Boht

Jack and the Beanstalk

PICCADILLY THEATRE

An odd phenomenon can be observed at the Piccadilly Theatre this year. Along with the squealing tots and the Malteser-munching pensioners there are gaggles of lads and lasses barely out of pimples.

Now, it is a fact universally acknowledged that people with pimples do not go to pantos, so it came as something of a surprise to find a "yoof" called Johnny giving his all to a number which involved singing "ooooh" loudly and often from the expensive seats at the front of the stalls, where he was sitting with a row of his mates. Was he a plant? No more, I should imagine, than the gaudy hardboard jungle that serves as a beanstalk in this most traditional of commercial pantomimes.

The bridge across the yawning generation gap is Cilla Black, pop star turned glam dating agent and principal boy, in whose honour the old music hall gag might have been written: "she's no chicken, but she's game." In the lucrative TV gameshow world Cilla is something of a queen mother, whose homely presence and strangulated Mersey vowels have given a curious respectability to the appallingly tacky *Blind Date*. For panto's purposes, she sings well, has a trouper's ability to manipulate a crowd and, by George, she's got legs as well.

This is the sort of show that give pantomime a good name. Well-cast and costumed, it steers clear of tired political quips and overtly "adult" humour. Jean Boht (of television's *Bread*; oh, how we love our Scousers) offers a rather insipid fairy grandmother, but generally the TV imports earn their passage. Patrick Mower provides an eminently hissable baddie in the handsome rotter tradition; Tudor Davies, who also directs, makes a fine deadpan dame, generously yielding centrestage to Cilla and Bob Carolgees, who takes charge a generous sweetie bag, and whose handling of a wayward dog puppet extends easily from a speciality turn to a running gag.

The Mosaics provide a colourful interlude of fluorescent dancing puppets (a welcome advance on the usual skeletons in Aladdin's cave), while the kitsch quotient is kept up by a bevy of ballet dancers and the cute little kittens of the Babette Langford Young Set. A rather dull patch in Cloudland at the start of the second act is salvaged by a terrifying monster rat and the sheer hard graft of the performers, who do their considerable best to ensure that a "lorra, lorra" fun is had by all.

Claire Armitstead

The Magic Storybook

OXFORD PLAYHOUSE

The Oxford Stage Company's *The Magic Storybook* is the first Christmas family show at the Oxford Playhouse for five years. It comprises five traditional folk tales stretching from mime to pantomime: fresh, exuberant and free from clutter. It is an utterly enchanting evening. John Retallack directs.

The five pieces include *Jack and the Beanstalk* wonderfully mimed and narrated by the cast of seven in bold technicolor. They gather to become a tree or a pair of gates, and jump as the stage vibrates to the ogre's tread. Watch out for Andrew Dennis as the Ogre in brilliant miming form as he falls to earth when the beanstalk is cut, and Penelope Dimond as his long-suffering wife serving up cold fricassée of Englishman.

Snake Magic, a violent African fable, tells of a brother (Karl James) and sister (Jan Alphonse) forced to choose between their father's worldly goods and his blessing; the girl takes the latter, the wicked brother the former. She becomes an outcast befriended by a wonderful sibilant snake (Carol Redford) who provides her with the requisite magic kit to win the prince, build the palace and lay on the banquet. Nicola Burnett Smith sings the narration (composed by Howard Goodall) beautifully.

The Good Clown and the Bad Clown looks more like straight pantomime, although there is no cross-dressing (the only Dames in Oxford are DBEs). This tale also lets the audience contribute, so the North Oxford under-fives, some of whom will have penned a couple of their own pantos by now, fell to booing and hissing at the desired moments.

The best of the bunch is *Anansi*, the Brere Rabbit of East Africa (played by Andrew Dennis), who tricks a witch out of half her gold by sweeping up her house and guessing her name. It is really *Rumpelstiltskin* in the Augean Stables plus menagerie, for the other characters are all animals: Clive Duncan's underwear-eating goat and Jan Alphonse's strutting peacock are particularly good. This one is played, curiously, in Jamaican English, not African.

Finally, where but in *Cinderella* can one find the golden line, "The Prince will marry *whomsoever* this shoe fits"? The ugly sisters, high-heeled horrors fresh from the cocktail party, hack at their feet to get the fit, but leave a trail of tell-tale blood in the aisle. Who said children's tales were long on fairy and short on grim?

Andrew St George

Mother Goose

SHAW THEATRE

Camden's Shaw Theatre, ancestral home of the right-on panto, has set the husband and wife team of Bill Oddie and Laura Beaumont loose on *Mother Goose* this year. Fur and feathers fly, not through any great flexing of creative claws (the evening is nothing if not nice and cosy), but because their chosen theme for this wishee-washiest of pantomime stories is cruelty to the cute and cuddly.

Out of every nook and cranny they peer, quacking goats, miaowing cows, crowing pigs, and of course a blinking, fluffy goose – for this is no ordinary battery operation, you see. It is a custom built funny farm, with original script, music and lyrics, some of them rather good, presided over by David Yip's diminutive Mother Goose and under dual threat from Prince Banana's batty huntsmen and that mean old mincer of animal flesh, Mister Tasty.

Even though *Mother Goose* appears to be the flavour of this pantomime year, I have yet to find one that that lives up to the spirit of a *Cinderella* or a *Jack and the Beanstalk*: Oddie brings to the show some of the nuttiness of his unjustly neglected comedy trio of the early 1970s, the Goodies, but comes smack up against the absence of plot, which in pantomime terms means dashing goodies trouncing dastardly baddies.

Nick Wilton's Mister Tasty is given an animal experimentation lab by designer Richard Beaumont which seems fairly horrific to squeamish adults but left the under-12s in my row unamused and untroubled. His key number is a Gary Glitter parody in glam-rags and platform soles which is by design more naff than nasty.

In the absence of anything to boo and hiss, the writers go for a potty humour that takes in Mr Nasty's bogey-burgers and culminates in a song, "Everyone Goes to the Toilet", the lyrics of which need no elaboration. David Yip's first dame is promisingly pert and decorative; Julie Dawn Cole provides a spunky principal tomboy, with wheaten hair and camouflaged ra-ra skirt, but there is no-one here capable of embracing the audience, of lifting it bodily from its seat and plumping it down again with a fistful of giveaway sweets. No-one, that is, except Nobby the Sheep (a rapping puppet from TV's *Ghost Train*) whose patter is good but who shares with the plotline a certain absence of legs, which despite his promise to get involved in the action, keeps him stranded for most of the time on the sidelines.

David Yip

Claire Armitstead

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw *Riccardo Chailly* conducts the Royal Concertgebouw Orchestra in two concerts (tomorrow *at 11.30, Wed at 14.45*) featuring Verdi's Four Sacred Pieces and the orchestral version of his *String Quartet*. The Christmas Day concert is a Eurovision broadcast. On Sun, there are afternoon and evening concerts featuring the music of Johann Strauss, with soloists, dancers and orchestra from Budapest (6718 345)
Muziektheater Tonight at 20.00, Julian Reynolds conducts Werner Schroeter's production of Luisa *Miller, with a cast led by* Kallen Esperian, Neil Shicoff and Brent Ellis, also Thurs and Sun *afternoons. Wed, Fri and Sat:* Dutch National Ballet in Rudi van Dantzig's 1967 production of Romeo and Juliet *(6255 455/credit* card bookings 6211 211)

■ BERLIN

Staatsoper unter den Linden This week's programme *consists of* Hansel and Gretel tonight, John Cranko's ballet The Taming of the Shrew on Christmas Day, Der *fliegende Höllander on Thurs*, Madama ????Butterfly on Fri, Ariadne auf Naxos on Sat and Le nozze di Figaro on Sun *(East Berlin* 2004 762)
Komische Oper Ull Daunert conducts a Christmas concert tonight at 19.00. There will be a Christmas Day performance of Handel's Giustino, followed by Cinderella on Thurs, Cav and Pag on Fri, La bohème on Sat and Johann Strauss concerts on Sun at 11.00 and 20.00 (East Berlin 2292 555)
Deutsche Oper Valéry Panov's production of Cinderella can be *seen tonight* and on *Christmas* Day. On Thurs and Sun, Christian Thielemann conducts Gotz *Friedrich's production of Lohengrin*, with a cast led by Thomas Moser, Ekkehard Wlaschiha, Eva *Johansson and Eva Marton*. Maurice Bejart's dance extravaganza Ring Round the Ring can be seen on *Fri, and Hansel* and Gretel on Sat (West Berlin 3410 249)
Schauspielhaus Tonight's concert is by the CPE Bach Chamber Orchestra conducted by Hartmut Haenchen, with music by Manfredini, Vivaldi, Boccherini, Mozart and Haydn. On Christmas Day, there is a programme of Christmas music with the Berlin Radio Chorus and Orchestra. On Fri, Manfred Scherzer conducts the Dresden Chamber Orchestra *in a Mozart programme* (East Berlin 2272 261)
Philharmonie Kammermusiksaal Tonight's concert features Bach's Christmas oratorio. On Christmas Day, Borislav Ivanov conducts an orchestral programme with popular music by Dvorak and Rakhmaninov.

On Thurs, Ivanov conducts a concert of Italian operatic arias, followed on Fri and Sat by *Beethoven's Ninth Symphony (West* Berlin 2614 383)

■ BRUSSELS

Monnaie Sylvain Cambreling conducts Mark Morris' production of Le nozze di Figaro on Christmas Day, also Fri and Sun afternoon. The cast includes Jose van Dam and Hillevi Martinpelto (219 6341)
Théâtre National The Theatre National's new production of Gianni Schicchi can be seen tomorrow, Thurs, Fri, Sat and Sun (217 0303)

■ GENEVA

Grand Théâtre tonight, Thurs, Fri and Sun, Armin Jordan conducts *performances of Jerome Savary's* production of Die Fledermaus, with a cast including Patrick Raftery, *Cynthia Lawrence, Bodo* Schwanbeck and Jeanne Piland (212311)

■ GENOA

Teatro Carlo Felice On Friday, Mstislav Rostropovich conducts a new production of Sofia Gubaidulina's two-part oratorio-opera-ballet Orazione per l'Era di Acquario, choreographed by Georgy Alekmsidze and designed by Telmuraz. Further performances on Dec 28, 29, Jan 2, 3 (589329)

■ LONDON

Royal Festival Hall 19.30 English National Ballet opens its Christmas season with a new production of The Nutcracker, staged by Ben *Stevenson* and designed by Desmond Heeley. Daily except Christmas Day and Sundays *till Jan 18. Tomorrow there* is a matinee but no evening performance (071-928 8800)
Covent Garden *14.30 and 19.30* Mark Ermler conducts Peter Wright's Royal Ballet production of The Nutcracker, also Thurs and Fri. Sat: Le nozze di Figaro (071-240 1066)
Sadler's Wells 19.30 London City Ballet production of Swan Lake,also tomorrow at 14.30. No performance on Christmas Day. Eveningperformances daily from Thurs till Dec 31, with matinees on Thurs, Sat and next Mon (071-278 8916)
Coliseum 18.00 Michael Lloyd conducts ENO production of Rimsky-Korsakov's Christmas Eve, *repeated on Fri. Sat: matinee and* evening performances of Die Fledermaus (071-836 3161)
Barbican *19.45 Christmas music* with the London Concert Orchestra and Thomas Tallis Choir. Thurs: *RPO plays popular music by* Handel, Rakhmaninov and Beethoven. Fri: Tchaikovsky night. Sun: Dennis O'Neill's opera night (071-638 8891)

● For information about West End theatre shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MILAN

Teatro alla Scala This week's events are limited to two performances of Parsifal (Fri and Sun afternoon) and John Cranko's production of Romeo and Juliet on Sat (7200 3744)

■ NEW YORK

Blue Note Jazz Club and Restaurant Starting tomorrow and *continuing daily till Sun*, Jamaican-born jazz pianist Monty Alexander and his trio partners will play the music of Nat King Cole. Saxophonist James Moody and pianist/singer Freddy Cole (Nat's brother) are the special guests. Shows at 21.00 and 23.30. New Year's Eve till Jan 5: Manhattan Transfer. Jan 7: Dizzie Gillespie begins a four-week engagement (475 8592)
Carnegie Hall Alexander Schneider and the New York String Orchestra give a concert tomorrow at midnight, also on Sun at 15.00 (247 7800)
Metropolitan Opera Tonight and Fri, James Levine conducts John Corigliano's new opera The Ghosts *of Versailles, with a cast led by* Teresa Stratas and Marilyn Horne. Tomorrow: Aida. Thurs: La *boheme. Sat: La traviata (362 6000)*
New York State Theater City Ballet gives performances of Balanchine's *production of The Nutcracker today* at 14.00 and 18.00, also Thurs, Fri, Sat and Sun (870 5570)

■ PARIS

Théâtre des Champs-Elysées This week's highlight is a performance of Lully's Alceste on Sat. Jean-Claude Malgoire conducts a staging by Jean-Louis Martinoty, *with a cast led by Jean-Philippe* Lafont, Colette Alliot-Lugaz, Gregory Reinhart and Howard Crook. Further performances on Dec 30, Jan 2, 4, 6, 8 (4720 3637)
Palais Garnier Rudolf Nureyev's production of Romeo and Juliet can be seen tomorrow, Thurs, Fri, *Sat and Sun (4017 3535)*
Opéra Bastille Friedemann Layer conducts Bob Wilson's production of *Die Zauberflote tonight, Thurs* and Sat. Tomorrow and Fri: Myung-Whun Chung conducts Boris Godunov, with Paata Burchuladze in the title role. All performances start at 19.30 (4001 1616)
Châtelet Starting tomorrow, there are daily performances at 20.30 of West Side Story. On Christmas Day at 12.00, Jansug Kakhidze conducts the Orchestre de Paris in music by Rimsky-Korsakov, Tchaikovsky and Borodin (4028 2840)
Opéra Comique A 1920s musical entertainment, entitled L'as-tu revue? and starring Gabriel Bacquier, can be seen on Thurs, Fri, Sat and Sun (4286 8883)

■ WASHINGTON

Shakespear Theater G B Shaw's *Saint Joan is strongly directed* by Sarah Pia Anderson, with a cast including Gail Grate as Joan and *Emery Battis as the Inquisitor*. Runs till Jan 25 (201 E Capitol St. 546 4000)
Arena Stage *Jar the Floor by* Cheryl West is a clever, poignant and sad play about four generations of black women and their relationships. Runs till Feb 2 (488 3300)
Kennedy Center Opera House Opening on Christmas Day: Bye Bye Birdie, revival of the 1961 musical starring Tommy Tune, directed by Gene Saks. Runs till Jan 26 *(416 4600)*

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
0730-0800 *Moneyline*
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN producoon with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

Super Channel
0600-0620 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly - tglobal business report *with James Bellini*
2130-2200 (Thurs) Talking Heads - international issues

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

SUNDAY

Super Channel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
1800-1830 World Business This Week

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On the brink of disaster

DESPITE THE failure of discussions over the weekend, it is still not too late to reach agreement in the Uruguay round of multilateral trade negotiations. More important, it must not be too late. The differences that divide the US, the European Community and now Mr Arthur Dunkel, the Gatt's director general, are trivial, especially when set against what would follow the round's collapse. All the parties should make a New Year's resolution to think again.

The attempt to reach a mutual disarmament agreement in agriculture remains the main obstacle. Yet a deal on agriculture is in the interest of all the main participants. Agriculture may account for only 11 per cent of world commodity trade. But the sums lavished by the industrial countries on their farm policies – $299bn in 1990, according to the OECD secretariat, or $387 (£200) for every man, woman and child – are so breathtaking, and the damage done to agriculture-dependent economies around the world so large, that reform is essential.

The EC is, at bottom, on the wrong side of the argument. No economic superpower, especially one committed to the market, should cling so tightly to such expensive and wasteful policies. No trading power, especially one determined to root out corporate dumping, should be so determined to keep on exporting subsidised agricultural commodities.

'Bad deal'

Yet sympathy with the *demandeurs* in these negotiations cannot conceal their lack of realism. The EC is at last prepared to reform the Common Agricultural Policy in a more market-oriented direction. So when Mrs Carla Hills, the US trade representative, says that no deal is better than a bad deal, she is talking nonsense. Since the "bad deal" involves fewer distortions than at present, this is like saying that some improvement is worse than no improvement because one can imagine still greater improvement. That is folly. The time has come to reach a deal on the basis of what can be plausibly achieved, and live to negotiate another day.

What now divides the parties? The debate has come down to two principal issues:

- whether there should be a quantitative limit on subsidised farm exports, as the US demands, or rather a budgetary limit, as the EC proposes;
- whether the EC's proposed compensatory payments for price reductions should be placed in the "green box" of subsidies that do not distort production.

Trade restrictions

On the principle of budgetary versus quantitative limits in trade, the EC is right and the US wrong. The world needs fewer, not more, quantitative restrictions in trade. On the inability of the principal parties to reconcile what is a difference of only 4m tonnes of subsidised wheat exports, the only possible observation is that they cannot be serious. These conflicts look like those between the big- and little-enders in Gulliver's Travels.

A more fundamental question is whether the EC's compensatory support payments are, indeed, trade-distorting. These payments will go to farmers on the basis of area sown in a past reference period. In this respect, they do not appear to provide a current incentive to produce. But they do provide a permanent incentive for farmers to remain farmers, which would have effects on production.

Ideally, the EC should limit the period over which the compensation is to be paid, as well as cease to make it contingent on whether a farmer remains in active production. But even in their current unsatisfactory form the EC's compensatory payments would be less distorting than US deficiency payments.

All parties now need a short pause for reflection. Mr Dunkel should consider modifying his text; the EC should consider modifying some of the details of its reform proposals; and the US should consider modifying its attitude to the closure of the round. The differences that divide the parties are trivial, while the potential gains from success remain immense. If they do not rethink, the round will collapse. That is the very last Christmas present the world needs.

Stemming the repossessions

LAST WEEK'S mortgage rescue package is probably the best that could be organised under the circumstances. The most welcome news for hard-pressed home-owners facing mortgage arrears is that lenders will not repossess their homes so long as they are making reasonably regular payments. Ministers and lenders estimate that the measures will keep about 40,000 families in their homes over the coming year. If lower interest rates make it easier for those already in arrears to tread water, the level of repossessions next year should be below this year's record total.

Ministers can claim some credit for persuading lenders and insurers to put their heads together to devise schemes which turn debt service into rental payments. In many cases, the homeowners who have fallen into arrears should never have taken on the burden of home ownership, and will be better served by renting their homes from housing associations. Making it possible to move from mortgage to rent introduces a much-needed bridge between the two main forms of housing tenure.

It is worrying, however, that some lenders have held back from committing funds to such schemes. It is hard to believe that any will benefit from the insecurity which has become commonplace. And building societies are already susceptible to criticism for their failure to support the money advice centres which can offer valuable debt counselling to benighted borrowers.

Preferred creditors

In return for attempting to stem the rising tide of repossessions, the lenders have been made preferred creditors when lending to unemployed householders.

The department of social security will now pay the element of income support designed to cover mortgage interest directly to the lender – 50 per cent of this currently finds its way into more pressing needs. And the Treasury will have to find about £50m to cover the housing benefit entitlement which converting mortgages to rent creates.

The cost of both these concessions is small enough to avoid the charge that the government is prepared to find money to bail out owner-occupiers when it has not been prepared to do more to help the growing number of homeless families, most of whom have never enjoyed the luxury of owning a home.

Stamp duty

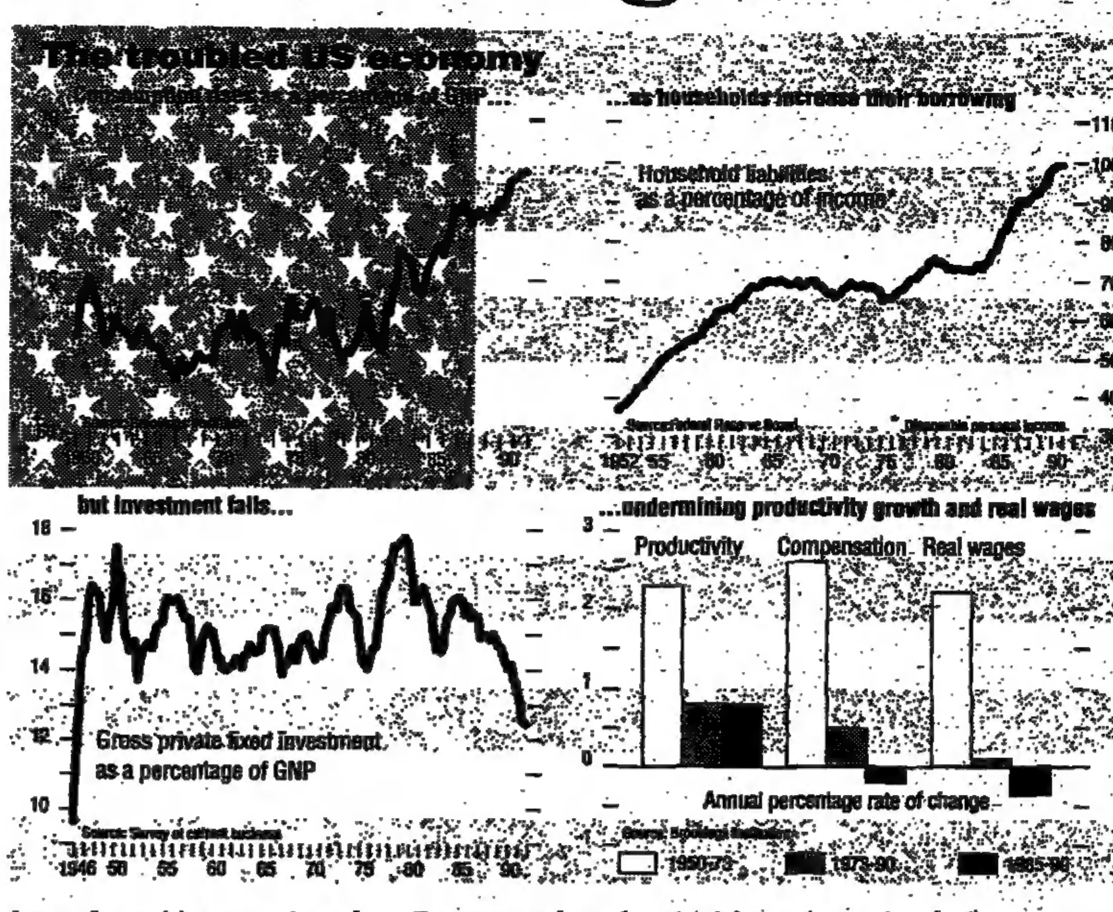
The same cannot be said, however, for the temporary suspension of stamp duty on house purchases up to £250,000. There may be arguments for scrapping stamp duty on house purchase altogether – there were certainly persuasive reasons to abolish it for securities, where transaction costs are an impediment to the free flow of capital. But there is no evidence that stamp duty is a factor constraining housing transactions, any more than do the charges for estate agency or legal costs. Prima facie, the cut in stamp duty is more likely to be capitalised in the value of homes than in attracting new buyers to the market. Rejuvenating the housing market above all requires confidence among buyers in the economy and in more stable house prices, neither of which can be bought for £400m.

And if £1bn is indeed available from the delay in abolishing stamp duty on share transactions, this could be used to considerable effect elsewhere in the government's housing programme. After years in which the number of social homes built has steadily fallen, the funds made available to housing associations next year will enable them to build three times as many homes as last year. Yet this will still be well short of the numbers needed to deal with the rising numbers of homeless families, and £1bn would allow housing associations to increase the 50,000 homes they will build next year closer to the 90,000 they would like to build.

A return to "government by gimmick" may come as a welcome but superficial relief to Conservative back-benchers who fear retribution at the polls. But mini-budgets in response to terrible headlines have never been a good way of making fiscal policy. Now is not the time to revive this least attractive of features in the British fiscal scene.

Michael Prowse asks whether the lowest US interest rates for a generation can solve the economy's underlying structural problems

A bold move to lift the gloom



It is a time of dissolving economic certainties in Washington. Mr Alan Greenspan, the Federal Reserve chairman, has thrown caution to the winds and cut the discount rate to 3.5 per cent – the lowest level since 1964. A few years ago, he would have been roundly condemned for inviting an acceleration of inflation.

It is conceivable that Mr Greenspan will eventually face criticism for easing too much: narrow measures of money, such as M1, are already growing at double digit rates. But most US economists have been baying for action for weeks. The talk is of deflation. As Mr Greenspan noted in sombre congressional testimony: "There is a deep-seated concern out there, which I must say to you I have not seen in my lifetime."

The forecasting fraternity – which has been repeatedly over-optimistic in recent years – is projecting a moderate recovery in the spring. The Fed's action must increase the likelihood of an upturn, but it leaves many analysts with a queasy feeling that the economy could remain soft for much longer (see below for a worst-case scenario). Economists are troubled because the economy seems to have entered unknown territory in recent months.

Earlier this year, the US appeared to be in the early stages of a weak recovery. Gross domestic product grew at an annual rate of 1.4 per cent and 1.8 per cent in the second and third quarters, having contracted during the winter. But instead of gaining momentum, the recovery has since petered out completely. Falling employment, industrial output and consumer confidence now indicate renewed contraction. Yet there have been no external shocks such as a rise in oil prices.

Just as troubling is a level of public anxiety that seems far out of line with the hard economic data. The drop in output (so far) is modest. The official unemployment rate is less than 7 per cent – well below the peaks reached in earlier downturns. The sour mood doubtless partly reflects the recession's unusually diffuse impact. In the past, blue-collar manufacturing workers have borne the brunt of hardship. This time, the restructuring of service industries from banking to retailing is wreaking havoc among articulate white-collar workers who once regarded themselves immune from the business cycle.

But this is not the whole story. As Mr Greenspan indicated, the crisis of confidence reflects fears about the future. For the first time in recent history, young Americans doubt that they will enjoy the living standards of their parents. The public watches in horror as intensifying foreign competition forces once impregnable companies such as International Business Machines and General Motors to announce deep cuts. The American dream of ever-rising prosperity suddenly seems in jeopardy.

The fears are also rooted in the past. The down/up motion of the economy earlier this year is best interpreted as a mini-business cycle prompted by the Gulf war. The temporary revival of confidence following the liberation of Kuwait obscured a gradual deflation of the economy evident almost from the day President George Bush took office early in 1989. The economy has barely grown since.

For many workers, the rot set in much earlier. Average wages have been growing slowly for two decades. Many of those in the bottom half of the income distribution experienced cuts in real wages in the 1980s. But the impact of these trends was obscured by a sharp increase in the number of workers per household as women increasingly entered the work-force; by a growing population; and, most ominously, by a rapid rise in consumption and borrowing relative to income (see chart).

None of this was sustainable, least of all the explosion of debt – government, consumer and corporate – during the 1980s. This now looks a desperate – but doomed – attempt to sustain growth of living standards beyond what could be justified by meagre gains in productivity. By the beginning of the 1990s, the hour of reckoning had arrived.

The striking recent change is that leading Republicans are now willing to acknowledge the mistakes of the 1980s. Using vivid language to condemn the "huge increases in indebtedness" and the lavishing of credit on developers, Mr Greenspan at times sounded like a Democrat running for president.

Policy-makers now face a double challenge: to stabilise the economy in the short run and to lay the foundations for sustained growth in the longer term.

Mr Greenspan's bold discount rate cut is a signal to Congress and the White House to leave short-run stabilisation to the Fed. But his ability to influence events is uncertain. Politicians have a strong incentive to be seen to be doing something in an election year. They can also raise legitimate doubts about the efficacy of monetary policy when the banking system is severely weakened by loss of equity capital. (The 3 percentage point spread between the discount rate and banks' prime rates of 6.5 per cent is a measure of its distress.)

The White House is thus likely to propose a variety of tax cuts – probably including some form of investment tax credit, some relief for middle-income households and lower taxes on capital gains – in next month's "economic growth" package. But the final shape of the legislation, and the extent to which it inflates a budget deficit already expected to reach $375bn, remain unpredictable.

While disagreeing on the merits of a temporary fiscal stimulus, economists are almost united in urging action to counter the economy's bias towards debt-financed consumption. Net savings – private savings minus the budget deficit – accounted for about 8 per cent of net national product in the first three post-war decades. This ratio plunged to less than 4 per cent by the mid-1980s and reached a trough of about 2.5 per cent last year. Investment (in plant, equipment and essential infrastructure as opposed to commercial office space and hotels) has also fallen precipitously as a share of output – by some calculations to levels last seen in the 1940s.

This secular decline in savings and productive investment is the economy's Achilles' heel. Exacerbated by a failure to educate and train the bulk of the work-force properly, it accounts for the decline in productivity growth and stagnant living standards for middle-income Americans. There can be no "quick fix" for such deep-seated problems. Cutting the budget deficit over the medium-term is probably the best way to boost savings, although a switch to a more European style of taxation, with greater emphasis on consumption-based levies such as Value Added Tax might also help. The question now is whether America's fragmented political system is capable of carrying through structural reforms. If it cannot, an activist Fed will be powerless to prevent relative economic decline in the longer term.

The seers on the Hudson

The US economy's troubles could be merely the beginning of a "contained depression" lasting the entire 1990s, writes Michael Prowse.

"We anticipate a deeply troubled economy, at least until the second half of this decade and perhaps through 2000. The unemployment rate will not reach the 1930s high of 25 per cent, but it may at times exceed 10 per cent and linger at uncomfortably high levels despite snail-paced growth of the working age population. Real gross national product, which fell 30 per cent from 1929 to 1933, will be limited to single-digit declines and will register some gain over the course of the decade."

This ominous prediction was first made a year ago by the father-and-son forecasting team of Jay and David Levy. Using language echoed last week by Mr Alan Greenspan, chairman of the Federal Reserve, the US central bank, they said the economy was "suffering from having too many of the wrong assets built at the wrong time at excessive prices and paid for with too much debt."

Eschewing conventional wisdom (which last December was predicting an early upturn from a shallow recession), the Levys argue that the US will avoid another Great Depression only because the government's role in the economy is vastly larger than in the late 1920s. With federal outlays accounting for 25 per cent rather than 3 per cent of gross national product and deposit insurance stabilising the banking system, the outlook is for a "contained depression" – prolonged marginal growth.

The Levy family has a remarkable record. In the late 1920s, Mr Jerome Levy – Jay's father – became so agitated about the prospect of a depression that he liquidated his business and retired while in his 40s. The subsequent crash is history.

At the end of the second world war, when most economists forecast sluggish growth and high unemployment, Jay Levy was extraordinarily bullish, arguing that pent-up demand for fixed investment – housing, factories, department stores and offices – would fuel a new era of prosperity.

Jay and his son David now believe the US economy is at a third turning point. At the Jerome Levy Economics Institute* of Bard College on the Hudson river in New York state, they have developed an analytical framework that draws a sharp distinction between recessions and depressions.

Recessions are mild setbacks punctuating long periods of growth. They reflect excessive accumulations of unsold goods and are easily cured by temporary production cuts. Depressions are infrequent but far more serious because they reflect excessive accumulations of physical capital – structures and industrial plant. As the 1930s showed, an excess of capital goods can take years to work off.

The Levys believe the decades of growth following the second world war gave Americans a false sense of security. A longer view of history shows that "capitalist economies, for all their virtues, have a natural predilection to gradually over-invest in fixed assets until they reach a crisis point and become depressed for a number of years". A long expansion contains the seeds of its destruction because businesses and consumers become complacent, borrowing on the assumption that profits and asset prices will rise forever.

Jay and David argue that the post-war investment boom began to peak out in the early 1980s. It was a global phenomenon. Most countries are now confronting a prolonged period of little growth. They see Japan as particularly vulnerable because it has "over-expanded to supply markets that no longer exist".

Washington can do little to restore prosperity. It cannot recreate the pent-up demand or the profusion of new products – washing machines, cars, televisions, computers – that powered post-war growth. But, say the Levys, it can "contain" depression by supporting the jobless and spending wisely – on domestic infrastructure, education and technology.

Most economists, including Mr Greenspan, will reject the *Levy* forecast as wildly over-pessimistic. After three years of sluggish growth, they believe the US adjustment to the excesses of the 1980s is nearly complete. Not for the first time, the seers on Hudson beg to differ.

**Forecasting Centre. Box 27, Chappaqua, NY 10514*

OBSERVER

Pulling the Royal flush

■ Must banks always be run by bankers, and insurance companies by actuaries? In the financial arena, at least, there remains considerable suspicion of chief executives who do not know how to lend money, or draw up an insurance policy.

Hence, the interest in the recent changes at the top of The Royal Bank of Scotland and Royal Insurance, two of the weaker institutions in their respective sectors. Just 2½ years after he left British Airways, Richard Gamble is taking over as Royal Insurance's chief executive, and George Mathewson is taking the helm at the Royal Bank little more than four years after he jumped out of the Scottish Development Agency.

When financial institutions face problems, it can be easier for an unemotional outsider, not weighed down by 40 years loyalty to the old firm, to take the right corrective action. Banks and insurance companies are much more complicated businesses than they used to be, and suffer from a lack of professional management.

On the other hand the art of lending money and assessing risk are so fundamental to the success of banks and insurers that ignorance of these skills can prove fatal.

The Royal Bank, in particular, is aware that it is now in the unusual position of having a chairman and chief executive who are not bankers. However, it stresses that its own late Ian MacDonald, one of Scotland's most innovative financiers, was professor of accounting at Glasgow university before becoming general manager of the Commercial Bank of Scotland in 1953.

Given the sums of money that traditional clearing bankers and insurance tycoons have been losing recently, there is a lot to be said for giving someone else a chance. However, the risks associated with bringing in outsiders are considerable and Midland Bank, for one, seems to have decided to turn back the clock.

The combination of a strong non-executive chairman and a professional banker, or insurer, in the chief executive's seat is hard to beat.

Dear Olivetti..

■ 1992 is shaping up to be an an exceptionally turbulent year at Olivetti, to judge by the lavish gift diary sent out by the troubled Italian computer company. It starts on February 13, moves on briefly to the first four days of March before suddenly leaping into mid-January and then starting again at February 1. The first half of January has gone missing entirely.

Outsider

■ Guess who Albania has named as its foreign-debt negotiator: former Italian treasury minister Giuliano Amato, who is now assistant secretary of the Socialist Party.

The move underlines the heavy reliance the penurious Albanian government is placing on Italy as it emerges from decades of communist isolation. Amato is expected to act as an intermediary with international financial institutions as well as governments of eastern Europe's ex-communist countries.

"I was cautious about accepting the offer," he admits. "I only agreed to take it once I was assured I had the full confidence and support of all the elements in the Albanian government."

A constitutional-law professor, he was responsible for the 'Amato Law', passed in July 1990, enabling Italy's public credit institutes and savings banks to transform into joint stock corporations. It opened the way for the partial privatisation which this year has begun to bear fruit.

Albania's total foreign debt is understood to be around $500m. Though a small amount by international standards, it represents some 30 per cent of GDP, and the country is almost wholly lacking in foreign exchange.

Even so, Amato believes arrangements can be made linking debt-repayment to development of tourism and the country's energy resources. The job is likely to last until agreement is reached on either rescheduling Albania's debts or their forgiveness.

"My father was a Bolshevik but I'm hoping to be a yuppie"

Hair splitting

■ "Hai, we have no bananas." Or so say Japan's cosmetics stores to expatriate British broker Caroline Stone when she asks them for her favourite banana hair-conditioner, marketed internationally by the UK's Body Shop.

Although a best-seller elsewhere, it lacks the necessary official permission for sale in Japan. The reason, Stone has heard, is that the country's health and welfare ministry cannot decide whether it's a food or a pharmaceutical.

On the contrary, says Body Shop president Anita Roddick. Her understanding is that the product is deemed unsafe for Japanese hair – which seems odd, given some of the substances that are officially approved as cosmetics.

An example is the nightingale droppings sold in Tokyo as a skin-beautifier, after mixing with divers creams and lotions. The reason why they have the approval denied to the conditioner cannot be that they're a 100 per cent Japanese product, because they originate in Korea.

Perhaps it's something to do with the fact that what's imported is not the droppings, but the nightingales.

Encyclopaedist

■ Governor Mario Cuomo of New York may have narrowed his career options by ruling himself out of next year's presidential election, but he seems to be preparing instead for a new role as encyclopaedia salesman. He has even picked out his brand: Grolier.

Before he finally made up his mind not to run, Cuomo says he spent the evening browsing in the Grolier. "If you're tired of the Britannica, if you don't like British spelling... get the Grolier," Cuomo urged.

Doesn't the enigmatic New York governor know that since France's Hachette took it over, Grolier is European, whereas the Encyclopaedia Britannica is in American hands? Perhaps his decision not to run was the right one after all.

Odd encounter

■ Police in north London are seeking a prowler who dresses in women's clothes. He was last seen in a blue Mini.

Perfume groups are relying on expensive launches to generate sales, writes **Alice Rawsthorn in Paris**

Secret of success is dollars and scents

There are lots of battered billboards on the streets of Paris this Christmas. They should be emblazoned with posters of Vanessa Paradis, the French sex sirenette, clad in fishnet tights and clutching a big bottle of *Chanel's Coco perfume. Instead* the billboards are bare because, as soon as the posters went up, her admirers tore them [redacted]

For Chanel, one of the world's leading fragrance houses, the furore over the pouting Ms Paradis all adds to the publicity for [redacted] relaunch of Coco. Chanel, like its competitors, has poured millions of dollars into promoting its per[redacted] Christmas, in [redacted] attempt to compensate for what has otherwise been an awful [redacted]

The Gulf war brought international travel to a halt at the start of the year, causing chaos in the duty-free market, which usually accounts for a fifth of luxury fragrance sales. Before it had [redacted] chance to [redacted] $10bn a year world perfume

'Let's be realistic, the only products that are selling in this tough market are the new ones'

industry was hit by the economic slowdown in important markets such as the US and the UK.

"All in all, 1991 has been a very difficult year," said Mr Gilles Weil, vice-president of L'Oréal, the French cosmetics group. "A few months ago we were still *hoping for* a *recovery* in 1992, but so far the signs are not good."

The downturn has come at a sensitive time for the industry, which has just emerged from a period of corporate upheaval in which several multinational groups invested heavily in fragrances:

- Unilever, the Anglo-Dutch consumer products company, became a leading player after acquisitions including Calvin Klein Cosmetics, Elizabeth Arden and Chesebrough-Ponds.
- [redacted] Mr Bernard Arnault, [redacted] French industrialist, won a bitter battle against Mr Henri Racamier for control of LVMH, [redacted] luxury goods group which owns Christian Dior and Givenchy fragrances, as well [redacted] *stake in Guerlain, the Parisian* pe[redacted]
- L'Oréal expanded its fragrance interests by buying Helena Rubinstein and joining forces with Mr Racamier's Orcofi to acquire Lanvin. Earlier this year Procter & Gamble, [redacted] US consumer [redacted] group, took over Max Factor, the US cosmetics company.

The perfume industry is now dominated by [redacted] few multinationals, which [redacted] wrought dramatic changes in the mar[redacted] place. Most made their acquisitions in the late 1980s when fragrance sales were buoyant, *and are now trying to* recoup their investment when the market is more competitive. L'Oréal estimates global sales have fallen in real terms by 2.5 per cent this year.

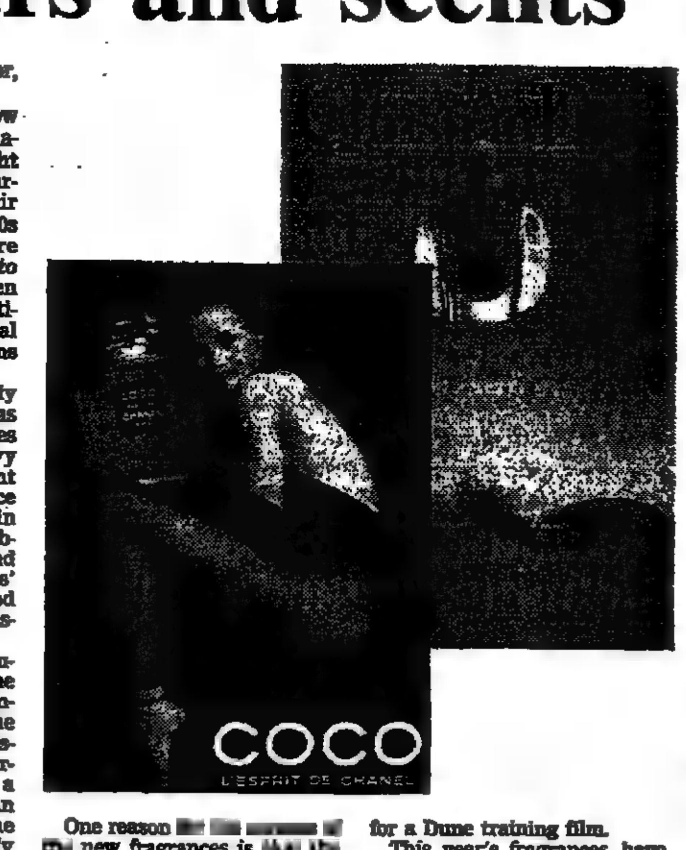
Recession is not the only problem. The industry also has to adjust to structural changes in distribution. The heavy debts of the US department store groups, the main source of luxury fragrance sales in that country, has created problems such as lost accounts and erratic ordering. The stores' difficulties have accelerated the shift in sales towards discount outlets.

Similar changes in distribution patterns are evident in the UK where the industry is running into controversy over the pricing policies of some discounters. The retailer, Superdrug, is considering lodging a complaint with the European Commission against perfume companies that have allegedly refused to supply it because of its cut-price sales strategy.

The response of the big fragrance groups, which include established players such as Estée Lauder of the US and Chanel in France, as well as the new investors, has been to use their *financial* muscle to launch new products and relaunch old ones more aggressively than ever before.

This autumn alone Parfums Christian Dior, part of LVMH, introduced Dune in Europe and Chanel relaunched Coco. In the US, Unilever brought out Escape by Calvin Klein and Elizabeth Taylor's White Diamonds, while Lauder launched Spellbound.

So far these products seem to be successful. Dune is ahead of sales targets, as are Escape, White Diamonds and Spellbound. "Let's be realistic, the only products that are selling in this tough market are the new ones," said Mr Andrew Shore, an analyst at Prudential Bache Securities in New York.



One reason [redacted] the new fragrances is [redacted] of [redacted]ruptcy have [redacted] retailers, particularly in [redacted] US, extremely [redacted] They [redacted] unwilling [redacted] build stocks of old products, [redacted] only [redacted] for manufacturers to generate sales is by offering them fresh [redacted]

Another factor is that consumer tastes in fragrance have changed significantly. The popular perfumes of the 1980s were strong, [redacted] scents with [redacted] Poison [redacted] Obsession and smells to match. The trend in [redacted] softer, [redacted]

This [redacted] rationale [redacted] Dior's launch of Dune, its attempt to replicate its success with Poison, and Unilever's with Escape, which it sees as the successor to Obsession. Mr Maurice Roger, president of Dior Parfums, was even filmed strolling across the Biarritz sand dunes spouting about society's "apprehension with diminishing physical space" for a Dune training film.

This year's fragrances have also benefited from lavish marketing. Unilever is thought to have spent at least $40m on introducing Escape in the US and a similar sum on White Diamonds, as did Lauder on Spellbound. Dior spent almost $1m just on the launch party *for Dune, a gala for 1,100* guests at the Château de Vaux-le-Vicomte outside Paris.

It costs next to nothing to make a perfume, probably £1 to manufacture a fine fragrance selling at £100 an ounce. But the cost of packaging and promotion can be colossal. A worldwide launch takes about $50m. The US alone absorbs $30m of that figure, given that retail promotion – handing out samples in stores and spraying shoppers with the scent – is more important there than in Europe. "The price of playing in this market is getting higher and higher," said Mr Antony Burgmans, director of Unilever, responsible for personal products.

A $50m launch is beyond the [redacted] perfume [redacted] "They [redacted] compete," [redacted] Mr Shore. "After [redacted] we're [redacted] talking [redacted] here. Unilever, [redacted] and LVMH know [redacted] they're doing. They've got [redacted] money. They're formidable competitors."

In short, the multinationals have raised the cost of competing in the fragrance market and are slowly squeezing out the smaller players. Although the multinationals are accelerating their launches, the total number *is falling. There were* just [redacted] women's perfume [redacted] in the [redacted] in the first 10 months [redacted] year, [redacted]ing [redacted] Foundation, [redacted] association [redacted] York, [redacted] in [redacted] that new products seem to be the key to success in the present, depressed market, this could eventually lead to the collapse of some smaller companies.

However, launches are not a panacea for the perfume industry's problems. Just as the cost of introducing a fragrance has increased, so has the risk of failure. A successful scent must recoup its launch costs within three years. Pru Bache reckons that only one in five do so now, compared with six [redacted]

[redacted] expensive launch [redacted]paign [redacted] increase [redacted] chances [redacted] not [redacted] guarantee. [redacted] Dior spent [redacted] least [redacted] on introducing [redacted] La Vie, [redacted] fragrance for Christian Lacroix, [redacted] of [redacted] designers [redacted] by Mr Arnault. [redacted] La [redacted] flopped. Early [redacted] year Dior [redacted] origi[redacted] 600 [redacted] just [redacted] February [redacted] resigned.

So even [redacted] are becoming [redacted] scenario whereby [redacted] launches [redacted] not only [redacted] fail, [redacted] expensive. "It's [redacted] game of roulette and the stakes are rising all the time," said Mr Weil of L'Oréal.

Just as the potential losses are higher than ever, so are the profits. Every perfume house dreams of replicating the success of the classics Chanel No5 or Guerlain's Shalimar, both of which were launched in the 1920s and still sell more than £50m a year.

It is the spectre of No5 and Shalimar that makes them forget about the recession and persuades LVMH to splurge nearly $1m on an evening's entertainment, Unilever to lavish $40m on White Diamonds, which sells on the appeal of Elizabeth Taylor, and Chanel to plaster Paris with posters of a fishnetted Vanessa Paradis.

Game Boys go morphing

FT writers look at the hit products of 1991

P[redacted] come and prod[redacted] go. But for some companies their success has proved all too ephemeral.

The year started with more fireworks than July 4 as pictures of Patriot missiles lit up television screens during the Gulf war. There was nothing more patriotic in the US than supporting the Patriot and its manufacturer, Raytheon.

But for the Patriot [redacted] ending with [redacted] a splutter than [redacted] bang. Foreign orders [redacted] not materialised *and at home the 1992 defence* budget cuts have forced the Pentagon to cancel plans to spend about $200m (£110m) on more Patriot missiles.

After the war, minds naturally turned to matters more domestic. In the UK this was the year in which eating ice cream became a sexual experience. Before Haagen-Dazs, ice cream was a cool refreshment during hot weather. Then market researchers found that the *taste of the expensive US product* gave "intensely personal, sensual pleasure". The UK advertising campaign, featuring an erotically entangled couple spooning Haagen-Dazs from a shared tub, aroused protests but stimulated sales.

In the US sensuality was no less prominent. Among west coast kids the trend of the year was "Hypercolor", a cotton fabric that changes colour as the temperature rises.

T-shirts proved the most popular items. In shades of [redacted] they [redacted] boring on the hanger, [redacted] put [redacted] and hot spots turn into patches of bright pink, [redacted] or [redacted] highlighting [redacted] of [redacted] body. [redacted] "cool" [redacted] on a [redacted] new meaning.

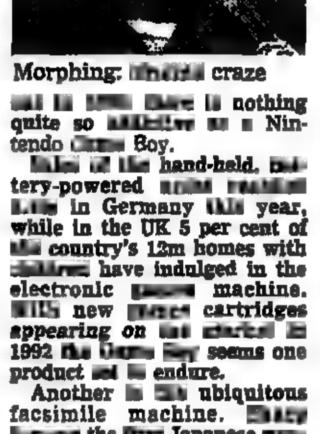
The Hypercolor [redacted] fad [redacted] waning in California [redacted] the [redacted] fashion is [redacted] with [redacted] Hypercolor suit-clad [redacted] pictured on [redacted] As [redacted] *tempera*[redacted] strips [redacted] a pair [redacted] brightly [redacted] shorts.

The UK [redacted] no [redacted] At up [redacted] £100 each, the [redacted] nylon shellsuit, [redacted] double layered tracksuit, announced an easy [redacted] attitude [redacted] rocketed, [redacted] just [redacted] quickly. A [redacted] burned [redacted] his shellsuit caught fire and the public was warned against wearing them [redacted] bonfire parties. The market became satu[redacted] and barrowboys sold them [redacted] £10 [redacted] time.

For the techno-freak [redacted] was sparse on innovation. But in a year of slumping computer *sales, Apple Computer's* trio of "Powerbook" notebook computers has proven the remarkable exception. Launched in October, [redacted] portable versions [redacted] Apple's Macintosh [redacted] keyboard with a palm [redacted] and [redacted] "trackball" instead of a "mouse".

Apple has [redacted] *some 100,000* [redacted] in [redacted] past [redacted] months and by [redacted] end [redacted] the [redacted] will be [redacted] top suppliers of [redacted] computers in the world.

In Europe high-tech kids learnt in 1991 [redacted] their peers in Japan and the US had found



Morphing: [redacted] craze

[redacted] nothing quite so [redacted] Nintendo [redacted] Boy.

[redacted] hand-held, [redacted]tery-powered [redacted] in Germany [redacted] year, while in the UK 5 per cent of [redacted] country's 12m homes with [redacted] have indulged in the electronic [redacted] machine. [redacted] new [redacted] cartridges *appearing on* [redacted] 1992 [redacted] seems one product [redacted] endure.

Another [redacted] ubiquitous facsimile machine. [redacted] the [redacted] Japanese [redacted]pany [redacted] introduce a fax machine priced below Y100,000 (£425), turning [redacted] piece of office equipment into a consumer product.

Since [redacted] launch [redacted] end of 1990, 180,000 of the UX1 machines [redacted] been [redacted] scoring a record [redacted] single model of [redacted] New uses are being discovered; one cram school in Tokyo requires students to [redacted] homework [redacted] their teachers by fax.

While [redacted] machines made it out of the office and into [redacted] schoolroom, morphing made it out of the computer room [redacted] on [redacted] the cinema screen through the antics of Schwarzenegger's liquid-metal cyborg rival in Terminator [redacted]

Only the experts may actually understand [redacted] morphing [redacted] *but now we all know* [redacted] computer graphics software programme allows artists [redacted] transform [redacted] image seamlessly into another.

The technology [redacted] first [redacted] by Industrial Light & Magic (ILM), the Lucas special[redacted] company. It is now [redacted] in advertising [redacted] videos, turning Michael [redacted] a black panther.

While high [redacted] gripped [redacted]ema [redacted] nostalgia gripped [redacted] car [redacted] *Beat, a cheap* [redacted] cheerful sports [redacted] from Honda Motor proved [redacted]ible. Priced [redacted] just Y1.388m, [redacted] Beat attracted [redacted] young and [redacted]

With [redacted] 660 cubic [redacted] engine, small enough [redacted] qual[redacted] for [redacted] breaks [redacted] mini-car in [redacted] the [redacted] reminiscent of [redacted] MG Midget in [redacted] However [redacted] has a 12-[redacted] engine, five-speed [redacted] box and [redacted] fibreglass body. Since *only* [redacted] cars [redacted]duced a month, it [redacted] soon [redacted]

In [redacted] US another sports [redacted] although [redacted] will not appear [redacted] showrooms until March. [redacted] only [redacted] Chrysler's Dodge Viper curvaceous enough [redacted] satisfy [redacted] Bond, [redacted] received [redacted] for meeting [redacted] tight budget – $70m – and [redacted]lines. It [redacted] just [redacted] design and [redacted]

[redacted] projected [redacted] of 3,000 by [redacted] mid-1990s, the Viper will not bump Chrysler out of third place in the [redacted] American market, but it [redacted] that [redacted] makers [redacted] entirely [redacted] their touch in car design.Only [redacted] will tell whether it will still be on the list next year.

Reporting by Della Bradsh[redacted] Daniel Green, Louise Kehoe, Philip [redacted] *S*[redacted] *W*[redacted]*styl* [redacted] *Zagor*

LETTERS

Stemming [redacted] metals tide

From Mr Ed Dablin.

Sir, I am dismayed that the European Commission is viewing favourably proposals emanating from producer interests to stem the rising tide of Soviet aluminium exports to Europe (Commodities, [redacted]

I do not doubt the European Aluminium Association's statistics. I do, however, question the wisdom of lending economic assistance to the emerging countries to our east if we are not prepared to buy their products. After all, European aluminium smelters already enjoy the protection of a 6 per cent duty on primary aluminium imports into the EC.

In any event stemming the Soviet flood into Europe will only have the effect of diverting [redacted] other markets, particularly the Far East. The result will be a knock-on displacement of Brazilian and US metal [redacted] London Metal Exchange warehouses rather than an increase in the world aluminium price. Building a dyke outside Rotterdam will not help the European aluminium smelters.

Ed Dablin,
Edward Dablin & Co,
46 Dewhurst Road, London W14

Abbey record

From Mr John Berry.

Sir, Alistair Mark Calvin referred (Letters, December 19) to the "Be young, be foolish, but [redacted] Abbey" tel[redacted] indicating that we as a [redacted] encourage customers to be [redacted] than careful with their finances.

Nothing could [redacted] further from the truth.

The commercial referred [redacted] was [redacted] current [redacted] and not [redacted] mort[redacted] youth mar[redacted] important to Abbey National. Our [redacted]rtising [redacted] designed [redacted] match their lifestyles and is supported by [redacted]vices [redacted] approach to money management.

In the housing market Abbey National [redacted] an excellent record in counselling our borrowers, especially the younger first time buyers.

John Berry,
marketing director,
Abbey National,
210 Grafton Gate,
Milton Keynes

Consistency among the 'gloom merchants'

From Mr Neil [redacted]

Sir, So, [redacted] Brittan finally concedes that [redacted] "longer recession" [redacted] all (*Economic Viewpoint*, December 19). This is all a bit late in the day given that Mr Brittan and others were trying to persuade us that the economic recovery was up and running back in the summer. I also find it a bit rich that he knocks the "anti-government short-term gloom merchants" *(to which I* proudly belong). For at least we can claim to have a greater degree of consistency and credibility in our economic analysis and forecasts than commentators such as Mr Brittan.

Back in November 1990, I predicted that the UK would experience a four-quarter recession that would be nearly on par with the 1980-82 recession. I also predicted (and continue to predict) that there would be no turning point in the economy until the second quarter of 1992. [redacted] then [redacted] recovery would be "anaemic and patchy".

This analysis was [redacted] result of any inherent Presbyterianism on [redacted] part [redacted] because I think the Tory treasury team and its advisers are incompetent. Rather, it was on the [redacted] straightforward economic analysis concerning [redacted] effects created by the [redacted] explosion of the late 1980s and the massive build-up [redacted] debt in the corporate and *household sectors.*

This is a phenomenon which is not unique to the UK. Other countries such as the US, Canada, Japan, Australia [redacted] the Scandinavian states are all suffering the consequences of the [redacted] pay-down [redacted] and the prolonged balance *sheet correction. Of course*, on top of that, the UK has to contend with the negative wealth effects from a collapsed housing market and the deflationary pressures relating to sterling's membership of ERM. This all suggests that 1992 will be a year of continuing economic slump for the UK compounded by the faster synchronisation of business cycles throughout the G7 area.

In future, I suggest that Mr Brittan pays more consideration to the views of the "gloom merchants". It would at least make a welcome change from unwarranted optimism and Treasury propaganda.

Neil MacKinnon,
chief economist,
Yamaichi Securities,
Finsbury Court,
111-117 Finsbury Pavement,
London EC2

Equalisation of state pensions

From Mr P M Ball.

Sir, You are to be congratulated on pointing out that neither events in Maastricht, nor last year's European Court judgment, excuse the *government's prevarication on the* domestic issue of the equalisation of pension rights in the state scheme.

The different state pension ages for men and women in Britain, together with UK and EC pension and sex equality legislation, present complex *and potentially costly problems* for UK employers. Equalisation *of state pension age* and conditions is necessary for the resolution of these problems.

The answer lies in the early [redacted] retirement. [redacted] should [redacted] based on a standard state pension age of 65 for both men and women. There should be reduc[redacted] in the [redacted] pension [redacted] people retire sooner and [redacted] if they retire later. [redacted] contribu[redacted] continue until retirement.

Such a move may appear radical, but delay will only exacerbate problems to which a solution is overdue.

P M Ball,
deputy director-general,
Engineering Employers Federation,
Broadway House,
Tothill Street, London SW1

Unwelcome corporate surprises would be reduced if auditors had legal responsibility to shareholders

From Mr J A Leek.

Sir, An objective reader of your [redacted] few issues might infer that the gods have finally decided to [redacted] the cosy world of auditors by the well established [redacted] first driving them mad.

[redacted] the continuation of corporate collapses, [redacted] are picking up through their corpo[redacted] recovery departments rich assignments for dismantling the very companies which they helped build up through consultancy and corporate finance assignments, and failed to blow the whistle on prior to collapse, although this was their basic job as auditors.

Now we have the spectacle *of them fighting* among themselves: MCC's bankers want [redacted] Waterhouse to replace Touche Ross as administrators; Touche Ross sue Stoy Hayward over Polly Peck; Coopers' appointment comes under fire from the Polly Peck creditors' committee.

While all this is going on you publish a courageous article by John Plender ("Search for safe places to do business", December 16) *attacking "flabby auditing"*, and by Andrew Jack (Accountancy Column, [redacted]ber [redacted]

Both, however, omit the [redacted] solution which really could improve the reliability of audit work. If [redacted] law could [redacted] *changed to make auditors* liable to shareholders in general, then you would [redacted] change in [redacted] interpret [redacted] responsibility. [redacted] hopefully [redacted] big [redacted] in [redacted] sort [redacted] unwelcome [redacted]prises [redacted] plagued UK commercial life in recent years.

The Caparo case exposed to the financial world that it was a myth that auditors were responsible to shareholders in general. Coopers' suggestion in Andrew Jack's article that "litigation is a subject rarely out of the minds of partners in the different firms these days", would carry more conviction if the law actually did provide a clear statement of auditors' liability – the threat would then have teeth to back it up.

J A Leek,
Caparo Group Limited,
Caparo House,
130 Baker Street,
London W1

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Housing repossessions: lenders' actions help but other initiatives are urgently needed

From Mr [redacted]

Sir, [redacted] by the leading building [redacted] to help families facing [redacted] are [redacted] be *welcomed*, even though they [redacted] a little late. [redacted] though sums being pledged by the lenders – £300m by the Halifax; £60m by the Abbey National, for instance, are [redacted] problem [redacted] so huge that only a very small proportion [redacted] borrowers *will be helped.*

One [redacted] helping more people would be for [redacted] banks [redacted] building [redacted] to [redacted] ownership scheme. [redacted] borrowers in dif[redacted] still [redacted] to [redacted] something, so a half-rent/half-[redacted] arrangement with a [redacted] stay in [redacted] homes and keep a [redacted] in [redacted] equity.

Another [redacted] some [redacted] its own [redacted] to [redacted] housing [redacted] up [redacted] mortgage rescue schemes.

Local authorities, particularly *in London*, [redacted] spend [redacted] providing expensive and [redacted] temporary bed [redacted] or privately-leased accommodation [redacted] families which [redacted] through repossession. [redacted] make so much [redacted] sense [redacted] boroughs [redacted] housing [redacted] help keep [redacted] deserving borrowers in [redacted]

Simon [redacted]
chairman,
housing and social services committee,
London Boroughs Association,
23 Buckingham Gate,
London SW1

[redacted] *Mr* [redacted] *Ledingham.*

Sir, Your leader, "Rough *stuff in housing"* [redacted] 17), [redacted] Britain's appalling levels [redacted] house repossession [redacted] mort[redacted] is sterling's ERM entry. One [redacted] quibble [redacted] problem [redacted] to do with [redacted] ERM, than [redacted] 15 [redacted] immediately pre[redacted] entry.

[redacted] however, [redacted] ignore the main [redacted] both [redacted] repossessions and Britain's extraor[redacted] ho[redacted] price volatility – namely, the fundamentally bad financial practice of acquiring long term assets using short [redacted] finance.

Britain [redacted] almost unique in financing house purchase *solely with variable* [redacted] borrowing. [redacted] resultant [redacted] to short-term interest rates would be unacceptable in the [redacted] lenders, yet it is encouraged in [redacted] of their customers. [redacted] housing [redacted] financed using long term, fixed-rate finance, *house* [redacted] *would* [redacted] exposed [redacted] manipulation [redacted] short [redacted] interest rates, [redacted] by [redacted] Bank of [redacted] by [redacted] Bundesbank.

Membership [redacted] the ERM [redacted] not to blame, [redacted] own financial practice.

R A Ledingham,
Rose View,
Hethe,
Oxfordshire

[redacted] *T C* [redacted]

Sir, [redacted] increasing inflow [redacted] money into [redacted] tenancy companies established under *the Business Expansion* [redacted] demonstrated how [redacted] can be in directing funding in any particular [redacted] The ability [redacted] public money, in the [redacted] relief, with private investment makes [redacted] tool.

The £119m [redacted] in hous[redacted] by BES companies in [redacted] demon[redacted] BES [redacted] and promoters have [redacted] as [redacted] by Pilgrim [redacted] plc (a BES company) and [redacted] Pilgrims Housing [redacted] in turning mortgage millstones [redacted] homes [redacted] what a contribution [redacted] BES [redacted] make, if [redacted] will. Sadly [redacted] between a number [redacted] lending institutions and the potential [redacted] similar BES companies [redacted] to [redacted] unproductive.

Many [redacted] being dis[redacted] presently by [redacted] government and [redacted] are [redacted] all, [redacted] government and institutional money will [redacted] much reduced by [redacted] contribu[redacted] private capital, willingly invested.

TC Villiers,
BES Association,
Holywell Centre,
1 Phipp Street, [redacted]

[redacted] *Ms Sheila* [redacted]

Sir, Current [redacted] by mort[redacted] produce mort[redacted] rescue schemes [redacted] help people stay in [redacted] homes are [redacted] as [redacted] first move towards [redacted] housing system [redacted] provides more flexibility between owning and renting. But the [redacted] suggestion that [redacted] housing mar[redacted] given a [redacted] in the arm by doubling [redacted] ceiling on [redacted] in the [redacted] budget would [redacted] a recipe for further long-term difficulties and should [redacted] by the Treasury.

[redacted] key [redacted] in [redacted] housing [redacted] has been high [redacted] that [redacted] many families overreaching themselves [redacted] *an* [redacted] is unique to the UK. In the late 1980s total home buyer's mort[redacted] debt amounted [redacted] equivalent [redacted] 96 per cent [redacted] GDP compared with only [redacted] per cent in [redacted] US and 20 per [redacted] in Germany [redacted] renting [redacted] common. A further *open-ended subsidy to mort*[redacted] lending would only [redacted] up the danger of [redacted] fuelling of house prices, leaving [redacted] buyers no better off in net [redacted] the economy still facing a [redacted] investment.

Making housing [redacted] and introducing stability into the housing market [redacted] essential. The chancellor took a step in the right direction in [redacted] Budget by restricting [redacted] *interest tax relief* [redacted] the [redacted] tax. [redacted] logical step [redacted] begin the pro[redacted] of targetting help with housing [redacted] more effectively.

Sheila McKechnie,
director, [redacted]
[redacted] *Street,* [redacted]

[redacted] *Francis* [redacted]

Sir, The mortgage lenders have acted with [redacted] speed over the past [redacted] days – but why?

I *speculate* [redacted] they [redacted] almost drained dry [redacted] insur[redacted] companies which [redacted] the [redacted] sums borrowed [redacted] mortgages. The only possible [redacted] the lenders could establish a claim against [redacted] indemnity policy [redacted] this: quickly move [redacted] the day [redacted] repossession (without, of course, showing undue [redacted] and lack of feeling) and [redacted] property re-sold through an independent agent [redacted] through an auction. Then, and only then, could [redacted] claim be made under the policy. Billions [redacted] pounds have already been paid [redacted] by the insurance companies. That source of funds must now be running dry. [redacted] must [redacted] elsewhere.

The government's idea of direct payment [redacted] benefits [redacted] will obviously help [redacted] will converting [redacted] *piers* [redacted] *by using housing* associations. But these arrangements will, I believe, mostly help the lenders and not the borrowers.

Francis E. Miller,
Candida,
[redacted] Harlequin Lane,
Crowborough, [redacted]

From Mr Angus Sibley.

Sir, Hugh [redacted] is right ("Lenders [redacted] homes", December 18) [redacted] suggest statutory limitations [redacted] lending. Traditional credit controls within [redacted] EC country [redacted] longer workable, now [redacted] people [redacted] borrow from [redacted] based in other countries. But since buildings cannot [redacted] borders, mortgage control is the [redacted] form of [redacted] credit restraint that makes practical [redacted]

It could help [redacted] prevent inflationary property booms, [redacted] banks and building societ[redacted] out [redacted] trouble, [redacted] pro[redacted] borrowers from [redacted] such as they now suffer.

But [redacted] all. [redacted] *German inflation problem demon*[redacted] Europe's urgent [redacted] for an [redacted] interest [redacted] policy as a means [redacted] regulation. [redacted] Prowse ("A nation of Eurosceptics", December 16) highlighted the [redacted] need in the US.

It [redacted] the Bundesbank should have [redacted] of [redacted] work of quenching inflation in western Germany. For [redacted] resulting high [redacted] preclude [redacted] elsewhere. Why [redacted] *help of flexible* curbs [redacted] mortgage lending, which could be [redacted] required from land [redacted] land [redacted] from country [redacted] country.

Angus Sibley,
[redacted] *Court,*
Pembroke Road,
Kensington,
London W8 6DE

See Editorial Comment, page [redacted]

FINANCIAL TIMES
Monday December 23 1991

EC deal inflames Yugoslav conflicts

Judy Dempsey and Laura Silber expect efforts to end the war will lead to more strife

THE SIX Yugoslav republics will decide today [redacted] recognition from the European Community, following agreement between EC foreign ministers in Brussels last week.

However, no matter which republics apply [redacted] recognition it is becoming increasingly [redacted] that the EC agreement, instead of making [redacted] end civil war, is likely to lead [redacted] violent struggles within some of the states.

[redacted] this more evident than in the central republic of Bosnia-Hercegovina.

Slovenia, Croatia, Macedonia and Bosnia-Hercegovina have already said they will apply for recognition today. [redacted] and Montenegro are unlikely [redacted] request.

The EC agreement [redacted] republics wishing to be recognised must [redacted] certain criteria. These include respect [redacted] human [redacted] and ethnic minorities, [redacted] respect [redacted] inviolability [redacted] all frontiers, which "can only [redacted] changed by peaceful [redacted] and by common agreement".

However, [redacted] agreement [redacted] provision for [redacted] republics [redacted] wish [redacted] apply for recognition, [redacted] for containing [redacted] power of the federal army. Above all, it gives [redacted] go-ahead [redacted] all ethnic [redacted] minorities [redacted] recognition [redacted] republics [redacted] their [redacted] right.

For instance, [redacted] community in Bosnia-Hercegovina, which [redacted] 32 [redacted] of the republic's [redacted] people, [redacted] would [redacted] a republic [redacted] the [redacted] and Moslem communities [redacted] they would [redacted] independence.

Neither [redacted] nor [redacted] lems wish [redacted] live [redacted] rump Yugoslavia [redacted] by [redacted] army.

"In the constitutional and legal [redacted], Bosnia-Hercegovina [redacted] not [redacted] more," Mr [redacted] Karadzic, [redacted] Serbs, said yesterday.

Mr Karadzic [redacted] ally of Mr Slobodan Milosevic, president of Serbia, and opposed any attempts by [redacted] United [redacted] peacekeeping troops [redacted] the republic. His [redacted] Hercegovina is now poised for a period of upheaval.

[redacted] backed by the Serb-dominated federal army, already control [redacted] large swathe [redacted] territory [redacted] republic's north, [redacted] region [redacted] Krajina, [redacted] territory [redacted].

If [redacted] regions were [redacted] link up [redacted] would provide [redacted] making of [redacted] corridor [redacted] Serbia, [redacted] thus [redacted] part [redacted] greater [redacted] which Mr Milos[redacted] and [redacted] army has [redacted] seeking for [redacted] time.

If [redacted] greater [redacted] rialise, [redacted] diplomats [redacted] Bosnia-Hercegovina will [redacted] – violently – between Serbia and Croatia. "This [redacted] very explosive situation," said Mr Rusmir Mahmutcehajic, Bosnian deputy prime minister.

Western military attachés [redacted] Croatia wants to [redacted] up a second front in Bosnia [redacted] weaken the federal army in Slavonia, eastern Croatia.

But at the [redacted] time, if Croatia's independence declaration [redacted] recognised by the EC, western diplomats argue that Croats living in [redacted] Hercegovina will declare their own autonomy and seek [redacted] join Croatia.

"The [redacted] in western Hercegovina are already highly radicalised," a western diplomat [redacted]. "They are sending reservists to [redacted] Croatian army. Nationalists in [redacted] ruling Croatian Democratic Union want their own greater [redacted]."

The [redacted] army, apart from opposing *Bosnia-Hercegovina's* independence, [redacted] loath to [redacted] territory [redacted]. "Over 90 [redacted] the air-force manufacturing industry [redacted] in [redacted]. The army will fight [redacted] hold on to Bosnia," [redacted] diplomat [redacted].

The potential for [redacted] *mounting in* [redacted] southern [redacted] nomically impoverished republic [redacted] Macedonia, which also [redacted] independent recognition.

Serbia, which [redacted] provoking the [redacted] Serbs [redacted] autonomy, has already cut off milk supplies from [redacted] republic as [redacted] to the Maced[redacted] government not to proceed with independence.

Furthermore, [redacted] government in Skopje, [redacted] capital of Macedonia, has yet to make substantial concessions [redacted] its 400,000 ethnic Albanians, which make up [redacted] fifth of the population. Like Bosnia's Croats, Macedonia's ethnic Albanians do [redacted] want to be part of a rump Yugoslavia.

Against this unstable background [redacted] ethnic Albanians could move [redacted] gain recognition as [redacted] republic, [redacted] some alliance with ethnic Albanians in the Serbian-controlled province of [redacted]. There the 1.9m-strong Albanian population [redacted] to [redacted] a republic in [redacted] continuing [redacted].

Above all, Macedonia's quest for independence could be resisted by Greece, [redacted] staunch ally of Serbia.

The EC [redacted] some [redacted] sions to Greece last week by including in the [redacted] a [redacted] *states that* "the use [redacted] denomination which implies territorial claims" should not [redacted].

[redacted] does not recognise the [redacted] separate [redacted] – [redacted] acknowledge the [redacted] an [redacted] Macedonian minority [redacted] northern [redacted] – it [redacted] gence [redacted] independence [redacted] there.

"The EC agreement [redacted] opened up [redacted] worms," [redacted] senior [redacted] foreign minister said. "I cannot see political negotiations taking precedence over the spread [redacted]. A [redacted] unfolding [redacted] front of [redacted] eyes."

No welcome for the Woman of the Year

By Anthony Harris

In this season of awards, there is likely, for once, to be very little debate. Mr Boris Yeltsin, who has used his elected status to dismantle a superpower simply by issuing decrees, may find his rewards hard to digest; but his claim to be man of the year is uncontestable.

The woman of the year is not such a familiar face on your television screen – which [redacted] just as well, since she is some 2,000 years older; but Nemesis is even more dominant.

The goddess of retribution has triumphed in Canberra (with the odd result of reinstating the local equivalent of Mr Nigel Lawson). The clammy rustle of her robes is terrorising Washington and London. She has destroyed her corporate victims, and claims a seat on the board of every major bank and [redacted]. Her icy breath [redacted] meanwhile withering [redacted] professions [redacted] accountancy and [redacted].

That is enough flowery language; the interesting thing is how few people saw her approach. A year ago it was clear that the US economy was a bit feeble, and a few pessimists were worried about the demanding rate [redacted] which Britain had chosen to join the European Monetary System. By [redacted] spring, though, they [redacted] mainly keeping their heads down. President [redacted] Bush, the [redacted]tless victor of the Gulf, was acting president [redacted] world, [redacted] unanimous [redacted] applause. Mr John Major [redacted] popular, and London [redacted] embarked on [redacted] remarkable bull run.

Recession was seen by most policymakers as a coincidence of little local difficulties. The consensus forecast on both sides of the Atlantic was for a summer upturn – not a real bounce, perhaps, but possibly all the better for that, for continued inflation was still seen as the main danger. The central bankers can perhaps be forgiven for showing the same bias, for that is their job; but not for being so smug about it. The honourable exceptions were Mr Alan Greenspan, chairman of the US Federal Reserve, who at least sounded worried, and Mr Yasushi Meino, governor of the Bank of Japan, preparing to give the world a lesson in controlled catastrophe.

In the English-speaking world only one or two senior financial analysts, such as Dr Henry Kaufman in New York and Professor Gordon Pepper in London, were pointing out the real menace of overhanging debt. They were dismissed as habitual pessimists. In the US, Mr Harold Poling, chairman of Ford, was another notable blood-curdler. Ford has obediently had a disastrous year, but this could be brushed aside as a bigger local difficulty. The markets went on displaying hubris – discounting a moderate recovery in growth, and a sharp rise in profits. Nemesis has simply followed on cue.

Anyone coming back to Britain from a spell in the US

History plays only once as tragedy; the repeat is farce

at the turn of last year, as I did, was perhaps unfairly well placed to do better. Many of our current troubles, especially the pervasive effect of a housing slump, were previewed there, so that 1991 has been pervaded, for me, with déjà vu. What still puzzles me sorely is that everyone else seemed so immune to the feeling.

It is fashionable this month to sneer at the bankers who lent so freely to Mr Robert Maxwell; but are they much worse than the officials who permitted a speculative bubble in the British property market only 15 years after the last one had nearly wrecked the banks? And what of Mr Major, who had only to chat to his friend President Bush to learn of the horrors of conducting economic policy in a straitjacket, but eagerly put one on regardless? The classics had an explanation – those whom the gods love, first they make mad. The only rough modern [redacted] is drearier: those [redacted] not study history are destined to repeat it. The more than seasonable comfort is to remember that history plays only *once as tragedy; the repeat is farce.*

What we are repeating is indeed the disaster of 1929-32 and beyond; but thanks to supportive central banking, deposit insurance and fiscal stabilisers, the tragedy can be left out this time. We are left with manageable problems, but not easy ones. It is very hard, as we know from the last time, to revive investment confidence once it has been well undermined (and we have no idea how long a complete recovery would have taken without the intervention of a world war). We also know the kind of measures which can fill this hole.

The central secret of the New Deal was not government borrowing (Roosevelt was a fiscal conservative, and in any case Keynes made his great proposal too late to be of much use), but simply public investment. President Bush, with his new public construction programme, seems to have been reading some history; he should send his book list to Mr Major.

Our transport and other public systems could certainly make good use of the money. What worked in Britain was less encouraging: reducing competitive pressure at home through cartels, and seeking protected markets, and going off gold. Here the French seem to be our successors, with their criticised industrial strategy and obstinate attachment to the European system of farm protection. If this torpedoes the General Agreement on Tariffs and Trade talks, they will have dragged us all a step back into the history we are repeating – including driving our potential trade partners to despair, so they must not be allowed to get away with it.

"Going off gold" is not an available option, unless we all choose to swing offshore with Mr Norman Tebbit; but there is a rough equivalent. A realignment of exchange rates within Europe might still prevent the Maastricht project from turning into what it now looks like – a European slump club. I will be surprised if that view is not much more fashionable before the end of 1992 than it is now.

Meanwhile, our own government is much more preoccupied with getting re-elected than with solving the problems it has helped to cause (and is still helping, with its back[redacted]king obsession with [redacted]. In present circum[redacted] this looks, to muddle up a few more classical echoes, like a race to win a cup of hemlock. If Nemesis has an *unsuspected sense of humour,* Mr Major will win it.

Increase in deficit financing needed to make up for revenue shortfall

Japan plans to increase bond issues

By Steven Butler in Tokyo

THE Japanese government will [redacted] of government bonds next year in order to make up for a shortfall [redacted] revenues caused by [redacted] slack pace of economic growth, the Ministry of Finance said yesterday.

The plan for increased deficit financing is part of a Y72,218bn ($562bn) budget proposal finalised at the weekend by the ministry for fiscal 1992, which begins in April. This compares with an original 1991 budget set at Y70,347bn.

Under [redacted] proposal, which [redacted] likely to be adopted [redacted] unchanged by the end of the mo[redacted]h, bond issues are to rise by [redacted]3 per cent, reversing an eight year trend in which the government has sought [redacted] *requirements* [redacted] deficit financing measures. Ministry officials said yesterday that the increase was agreed with great reluctance.

[redacted] percentage [redacted] total expenditure, bond issues will rise from 7.6 per cent this fiscal year to 10.1 per cent, representing the first budgeted proportionate increase since 1989.

The decision to increase the level of bond financing amounted to a recognition of the delicate state of the Japanese economy, where official growth projections have just been lowered to 3.7 per cent this fiscal year and 3.5 per cent next. The ministry had wanted *to boost taxes further than* measures finally agreed in the budget.

"We believe we are in the transition to non-inflationary growth while maintaining full employment. There is no need for reflationary economic management," a senior ministry *official said. He added, however,* that the economy required careful monitoring.

Many private economists believe the [redacted] projections [redacted] too optimistic.

Under the ministry's proposed budget, [redacted] to rise 1.2 per cent to Y62,504bn, compared to this year's budget of Y61,772bn. The ministry said yesterday, however, that actual tax receipts this year are likely to come to only Y59,000bn as a result of falling corporate profits.

In spite of the poor economic outlook, the ministry is proposing a variety of tax measures to boost revenues by Y730bn. These include maintenance of a special tax on car sales at 4.5 per cent. Although this is lower than the current 6 per cent, this [redacted] due to be reduced [redacted] the 3 per [redacted] general consumption tax [redacted] measures included increased corporate taxes, and a *land holding tax.*

The need for increased deficit financing arises in part [redacted] reduced income from the privatisation [redacted] Nippon Telegraph and Telephone (NTT). These funds had previously been used to finance public works expenditures which will be maintained.

[redacted] the expenditure side, debt service costs will rise by 2.6 per cent to Y16,447bn. General expenditures have been held to an increase of 4.5 per cent to Y38,699bn.

Funding [redacted] local [redacted]ment is also [redacted] by [redacted] an "exceptional [redacted]" in order [redacted] advantage of the expected budgetary surplus of local governments. Actual spending by local government is expected to rise by 11.5 per cent.

In spite of the relative austerity of the budget, officials said the government was on course to spending [redacted] *Y430,000bn on public investment* during this decade which was agreed with the US last [redacted] as part [redacted] an effort to remove structural impediments to trade.

UK councils warned they may forgo EC funds

By Andrew Adonis in London

MOST OF Britain's local authorities risk foregoing European Community funds and development opportunities because they have failed so far to wake up to the implications of the single market, says the Audit Commission, the UK's local government watchdog.

In a report on local authorities and the European Community, the [redacted]mmission finds that fewer than a third of [redacted] of their needs and organisation in relation to Europe. Among those which have, there is little consistency of approach.

The commission says inactive local authorities may be neglecting opportunities [redacted] participate in the Community's technical assistance and non-structural [redacted] UK local authority involvement is low.

Among opportunities available to councils, the report highlights "network programmes", under which the European Commission funds partnerships between authori[redacted] from three or more EC countries to promote [redacted]gional co-operation.

It emphasises the importance [redacted] regular monitoring [redacted] Community activity, including a presence in Brussels where appropriate. Councils are urged to follow the example [redacted] Kent in [redacted] England: [redacted] county [redacted] maintains its *own own office in Brussels,* but "the growth of its expenditure on its European unit was success-led and based (above a basic minimum) on the cash-flow generated".

On a positive note, the Audit Commission reports that councils are generally well prepared for obligations placed on them by directives [redacted] implement the single market – 41 of the 282 impose new duties on local authorities.

Inactive local authorities are probably not missing out on large-scale European Community funds under its structural programmes to help backward or declining regions, the commission says.

But it [redacted] that the government's conflict with Brussels on the application [redacted] the "additionality" rule – under which EC structural spending is expected to be additional to that projected by national authorities – has held up EC funds and reduced councils' enthusiasm for engaging in Community projects.

[redacted] *Guide* [redacted] *Europe: Local Authorities* [redacted] *EC, HMSO,* [redacted]

Clear field for Democrat hopefuls

By Lionel [redacted] in Washington

THE SIX Democratic [redacted] presidential candidates breathed [redacted] Governor Mario Cuomo [redacted] announced [redacted] on Friday [redacted] the 1992 race.

Mr Cuomo's non-candidacy [redacted] a [redacted] which hung [redacted] Democratic [redacted] for more than [redacted] months, hampering their [redacted] money [redacted] to [redacted] out [redacted] obscurity.

The chief [redacted] are generally seen as [redacted] Tom Harkin of Iowa, who can expect [redacted] pick up [redacted] Cuomo's traditional liberal supporters, [redacted] Governor Bill Clinton [redacted] Arkansas, [redacted] strong stump speeches and expanding national organisation [redacted] made him a tentative front-runner.

A [redacted] view is [redacted] Mr *Cuomo's* [redacted] *run* [redacted] it more likely that the Democratic race will be [redacted] prolonged contest, with no one able [redacted] shake loose of [redacted] of the field.

By this reasoning, [redacted] Mr [redacted] Kerrey of [redacted] had been [redacted] *New York governor* early in [redacted] campaign, [redacted] winner would have [redacted] immediately as [redacted] front-runner, wrapping up [redacted] nomination by early May after [redacted] main primaries in [redacted] and in [redacted] industrial [redacted].

[redacted] Democratic field has divided into [redacted] top [redacted] candidates led by Mr Harkin, [redacted] Clinton and Mr Kerrey; the sec[redacted] comprises *former* Sen[redacted] Paul Tsongas of Massachusetts, former governor Jerry Brown [redacted] California, and Governor Douglas Wilder, [redacted] first black governor of Virginia.

Mr Kerrey [redacted] his wares during [redacted] television interview *yesterday, calling* [redacted] *an industrial* policy in the US [redacted] compete [redacted] Japan [redacted] Europe.

Mr Kerrey [redacted] he "probably would [redacted] support" [redacted] bill sponsored by Congressman Richard Gephardt [redacted] threaten [redacted] Japa[redacted] exports to [redacted] US unless Japan [redacted] its [redacted] with [redacted] US.

Mr Clinton, told a TV [redacted] viewer yesterday [redacted] President George Bush [redacted] *failing* to help middle-class Americans hurt by the recession. Mr Clinton called [redacted] a [redacted] middle-income [redacted] as [redacted] short-term [redacted] revive consumer confidence; a [redacted] rise for Americans earning *more* [redacted] cut in [redacted] capital gains tax; accelerated spending of [redacted] in [redacted] $155bn highway bill to [redacted] an [redacted] new jobs; and an investment tax credit [redacted] stimulate spending on plant and [redacted]ment.

Farm funds [redacted] threatens Gatt talks

Continued from [redacted] 1

ber [redacted] "commonsense recommendations" [redacted] intellectual property and anti-dumping reform had not been accepted.

The EC [redacted] that outstanding bilateral [redacted] had narrowed [redacted] wheat exports, which [redacted] confirmed by US officials.

Washington wanted [redacted] per cent [redacted] in export [redacted] over six years to be on the volume of produce sold abroad. The EC was only prepared to commit itself [redacted] the subsidy outlays, pointing [redacted] that [redacted] would cut tonnage exported by 25 per [redacted] way. The difference in the two approaches amounted to about 4m [redacted] exports, virtually all from France.

Crucially, moreover, the EC had understood that both the US and Mr Dunkel agreed that most of the direct compensation [redacted] plans [redacted] farmers to reduce output and exports would [redacted] put in the Gatt "green box" list, for domestic [redacted] which do not distort trade.

The Dunkel draft virtually rules that out by requiring subsidies to be "totally decoupled" from production and calls for a 36 per cent cut in export subsidies and a 24 per cent reduction in [redacted] exports [redacted] six [redacted].

It [redacted] introduces restrictions on what farmers who are paid for early retirement and "set-aside" – or taking land out of production – do with their land. This would make [redacted] EC's farm reform plan politically unsaleable.

Mr Frans Andriessen, EC external affairs commissioner, said on Saturday: "A result which called into question the foundation of our agricultural reform would not be acceptable."

EC trade and farm ministers, meeting in Brussels today to examine the Dunkel draft are certain [redacted] this position, [redacted] EC [redacted] said yesterday, [redacted] only [redacted] was [redacted] to [redacted] shape [redacted] the agreement which in the [redacted] did not emerge.

The deal being held up by the farm impasse [redacted] expand world trade through new agreements in sectors like services and intellectual property rights, and liberalise international trading rules.

Mr Ruud Lubbers, the Dutch prime minister and president [redacted] European Council [redacted] Ministers, called on Washington to compromise. Any agreement now would "require some more effort from the US."

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	16	61
Algiers	[redacted]	18	64
Amsterdam	C	11	52
Athens	[redacted]	10	50
Bahrain	[redacted]	17	63
Bangkok	F	31	88
Barcelona	F	17	63
Beirut	S	18	64
Belfast	[redacted]	11	52
Belgrade	Sn	0	32
Berlin	[redacted]	1	34
Biarritz	C	12	54
Bombay	S	28	82
Bordeaux	C	13	55
Boulogne	C	12	54
Brussels	C	13	55
[redacted]	C	-3	27
Buenos Aires	[redacted]	30	86
Cairo	F	17	63
Cape Town	S	27	81
Caracas	F	26	79
Casablanca	[redacted]	17	63
Chicago	C	-1	30
Cologne	R	12	54
Copenhagen	F	[redacted]	36
Corfu	S	12	54
[redacted]	Dr	8	46
Dublin	C	15	59
Dubrovnik		–	–
Edinburgh	R	12	54
Faro	[redacted]	19	66
Florence	S	7	45
Frankfurt	R	11	52
Geneva	R	[redacted]	46
Gibraltar	S	[redacted]	72
Glasgow	R	12	54
Helsinki	[redacted]	[redacted]	28
Hong Kong	S	20	68
Innsbruck	R	2	36
Inverness	F	13	55
Islamabad	C	15	59
Istanbul	F	11	52
Jakarta	R	31	88
Jersey	F	12	54
Johannesburg	F	19	66
Lima	C	24	84
Lisbon	S	12	54
London	C	13	55
Los Angeles	S	12	54
Luxembourg	Dr	10	50
Madeira	[redacted]	19	66
Madrid	[redacted]	9	48
Majorca	[redacted]	16	61
Malaga	S	22	72
Malta	F	15	59
Manchester	C	13	55
Manila	C	28	82
Melbourne	C	16	61
Mexico City	[redacted]	23	73
Miami	C	[redacted]	68
Milan	[redacted]	11	52
Montreal	C	[redacted]	23
Moscow	Sn	0	32
Munich	[redacted]	[redacted]	48
Nairobi	F	23	73
Naples	[redacted]	9	48
Nassau	C	23	73
New Delhi		–	–
New York	S	[redacted]	39
Nice	[redacted]	14	57
Nicosia	[redacted]	[redacted]	63
Oporto	[redacted]	12	54
Oslo	F	[redacted]	25
Paris	Dr	12	54
Peking	Sn	-1	30
Prague	F	2	36
Reykjavik	Sn	-2	28
Rhodes	R	12	54
Rio de Janeiro	C	26	79
Rome	S	11	52
Salzburg	R	[redacted]	45
San Francisco	F	4	39
Seoul	S	10	50
[redacted]	R	25	77
[redacted]	F	[redacted]	27
Strasbourg	C	13	55
[redacted]	F	20	68
Taipei	F	[redacted]	70
Tangier	S	18	64
Tel Aviv	S	17	63
Tenerife	C	19	66
Tokyo	C	12	54
Toronto	S	-4	25
Tunis	F	16	61
[redacted]	S	[redacted]	[redacted]
Venice	S	9	48
Vienna	[redacted]	4	39
Warsaw	C	-1	30
Washington	S	1	34
Zurich	Dr	9	48

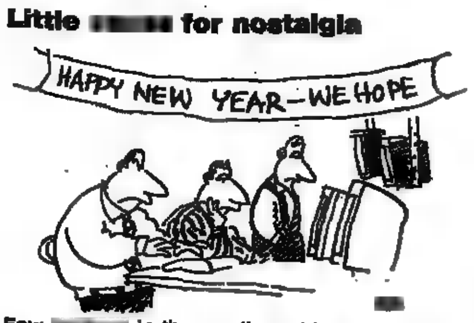
Temperatures at midday yesterday C–[redacted] Dr–[redacted] F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet [redacted] T–Thunder

INSIDE

Conroy tightens grip on Galmoy

Conroy Petroleum and Natural Resources, an Irish exploration group, [redacted] to [redacted] allied [redacted] by [redacted] big foreign mining companies [redacted] Europe's major zinc and lead deposits at Galmoy [redacted] Dublin. Page 14

Little [redacted] for nostalgia



Few [redacted] in the syndicated loans market are likely [redacted] back on 1991 with nostalgia. *The number of* [redacted] *launched over* [redacted] *past* [redacted] is well [redacted] on [redacted] mainly [redacted] capital adequacy requirements [redacted] recession. Page 17

Top performer's appeal fades

The Australian government [redacted] be a victim [redacted] its own [redacted] next year: outstanding [redacted] in [redacted] international [redacted] to question [redacted] much further [redacted] rally. Page 16

Record volumes after slow [redacted]

Favourable trading conditions and [redacted] in new issue volume [redacted] profitability in [redacted] international capital [redacted] year. *In spite* [redacted] year [redacted] Gulf war, volume [redacted] level. [redacted] 17

Yields rise on UK gilts

A rise in German [redacted] worries [redacted] on [redacted] government conspired [redacted] push up [redacted] yields, in spite [redacted] a run [redacted] indicating [redacted] economy. Page [redacted]

Festive flavours in the East

The [redacted] tradition [redacted] Christians (1.2 per cent [redacted] population) [redacted] Japan [redacted] image [redacted] choice. *The result is, depending* [redacted] which [redacted] Christmas [redacted] you stand, [redacted] "odorous mockery" [redacted] spiritual heritage [redacted] a polished representation [redacted] modern commercial Christmas. Page 26

UK judge bars Maxwell group's directors from New York bankruptcy court application

Setback to MCC board over US assets

By Norma Cohen in London

THE DIRECTORS [redacted] Communication Corporation [redacted] been barred by [redacted] UK High [redacted] judge from asking [redacted] York bankruptcy court to grant them control of [redacted] company's US [redacted] in [redacted] set to be heard later today.

Mr [redacted] Laister, chairman [redacted] MCC, [redacted] administrators, Price Waterhouse, [redacted] an *injunction on Friday* by [redacted] Court Judge Leonard [redacted] "barring the directors from making application on behalf of the company to the US bankruptcy court or any other court claiming jurisdiction over the company."

MCC's directors have also been told not to use company funds to pay for legal advice in the matter, Mr Laister said. The directors will decide this morning how to proceed in the New York case.

Mr Jonathan Phillips, partner at Price Waterhouse and one of three administrators of MCC appointed by the High Court on Friday, said Price [redacted] to [redacted] they represented the company's [redacted] in [redacted] isation, [redacted] mangement. [redacted] 80 per [redacted] of MCC's [redacted] US [redacted] thus [redacted] the Chapter 11 filing.

He also said that MCC directors had been told that because cash to pay their solicitors would not [redacted] borrowing, "the directors are without [redacted] clear source [redacted] funding to [redacted] for their [redacted] advice".

Price Waterhouse has been critical of MCC's [redacted] It told MCC's bankers last [redacted] that [redacted] board [redacted] company [redacted] to [redacted] Robert Maxwell's private companies – equal [redacted] one-third [redacted] net worth – as early as last July but failed to *inform* [redacted] *or creditors.*

Under [redacted] Exchange rules, some [redacted] the loans [redacted] have required shareholder approval rather than simple disclosure.

According [redacted] for the [redacted] March 31, [redacted] *no* [redacted] *outstanding* to Maxwell's private interests [redacted] year-end. However, by the time the [redacted] approved by the directors in July, loans to the private companies [redacted].

Meanwhile, Mirror Group Newspapers, the other public company of the [redacted] Mr Robert Maxwell, has reached [redacted] short-term agreement with its [redacted] for additional financial support.

The banks, [redacted] *by National* Westminster and Lloyds, [redacted] maintain existing credit facilities [redacted] provide about [redacted] new money [redacted] meet operating [redacted] until the end [redacted] January.

Roland Rudd on the failed offer for Racal

Defeat turns Williams off hostile bids

Sir Ernest Harrison [redacted] Racal Electronics: no soft target

Mr [redacted] of [redacted] Holdings, the [redacted] conglomerate which yesterday announced it had failed in its takeover battle for Racal Electronics, said his experience of losing [redacted] hos- [redacted] Lord Hanson's [redacted] days [redacted] hostile takeovers [redacted].

"In order to win an aggressive bid [redacted] for a [redacted] target," [redacted] "I was never going to overpay and [redacted] no [redacted] target."

Hawker Siddeley, [redacted] engineering [redacted] which recently lost [redacted] pendence [redacted] BTR, [redacted] Australian-based [redacted] glomerate, [redacted] target. In Mr Rudd's view [redacted] for [redacted] victim that was dead. "If the victim is only half dead it may survive," he added.

The [redacted] of the [redacted] has [redacted] Williams to [redacted] rule [redacted] bid. [redacted] received acceptances [redacted] only 25.85 per [redacted] holders. It [redacted] already bought 9.95 [redacted] in [redacted] market, giving it total acceptances of 35.8 per [redacted].

Neither [redacted] Rudd, nor his partner, *Mr Brian McGowan, chief* executive, will go on the record to say they would "never" do [redacted] hostile bid again. [redacted] advisers to the [redacted], which [redacted] grown by friendly acquisitions [redacted] give it interests [redacted] defence to fire protection [redacted] security to engineering, [redacted] the pair will look for undervalued companies [redacted] are willing to be taken over.

[redacted] a knock-out blow over who [redacted] manage [redacted] better, which is what it [redacted] in the [redacted] of a [redacted] its [redacted] offer. Hostile bids which either conclusively prove the industrial logic of a merger or which [redacted] ous [redacted] offers [redacted] likely to continue to succeed.

The question that Williams shareho[redacted] might [redacted] put to the [redacted] team [redacted] why did it [redacted] a [redacted] prolonged takeover [redacted] to [redacted] the days [redacted] over?

Brian McGowan [redacted] Nigel Rudd of Williams Holdings: [redacted] the signs

[redacted] have [redacted] les- [redacted] bid for Norcros, the building, *printing* [redacted] retailing [redacted] in 1987? (It previously pulled [redacted] for [redacted] Brothers, [redacted] plastics [redacted] a year earlier).

Mr [redacted] says [redacted] would have liked an agreed deal with Sir *Ernest Harrison, Racal's chair*man, [redacted] knew that [redacted] who re-organised [redacted] in 1988 because of speculation [redacted] from Cable [redacted] Wireless, [redacted] to look kindly [redacted] an agreed bid [redacted] He had to *go hostile*, and he *still* [redacted] it [redacted] go.

Nonetheless, it is a serious blow to the group's reputation to have failed in every hostile bid it has launched. And while it may side with Hanson, the conglomerate, [redacted] believing the days of hostile bids are over, Lasmo, [redacted] oil and exploration group, showed [redacted] week that hostile b[redacted] could still succeed when it [redacted] its battle for Ultramar, the oil and gas group.

According [redacted] of [redacted] institutional [redacted] which eventually sided with Racal, Williams could have won control [redacted] if it had [redacted] alternative to [redacted] three-for-20 [redacted] offer. In the [redacted] Williams [redacted] by adding 10p of [redacted] per [redacted] share, [redacted] it turned [redacted] too [redacted] too late.

An all-share [redacted] *thing* when [redacted] strong, [redacted] weak, [redacted] Williams was unluckly enough [redacted] bid just as the market began to fall in September, the [redacted] becomes worth [redacted] less. Thus [redacted] *liams's original* [redacted] *($1.36bn)* [redacted] fell [redacted] than £100m [redacted] the group's shares slipped from 360p [redacted] the day of the bid, to [redacted] low of 287p during the battle. They [redacted] Friday at 298p valuing each [redacted] at 54.8p, *compared to Racal's closing price* of 49p.

Williams's advisers [redacted] the signs [redacted] institutions [redacted] month [redacted] the bid [redacted] launched. A pre-tax profit increase of [redacted] cent to £76.5m [redacted] the [redacted] months [redacted] June persuaded Morgan Grenfell institutions would be tempted to swap their [redacted] for Williams [redacted] there [redacted] therefore [redacted] need for [redacted] underwritten alternative [redacted] offer.

That proved to [redacted] wrong, not only [redacted] institutions invariably prefer cash [redacted] paper, but [redacted] because it prevented Wil[redacted] buying more than 10 per cent [redacted].

Without [redacted] cash alternative a bidder [redacted] prevented from buying [redacted]. When Williams decided [redacted] *increase* [redacted] *holding* [redacted] *the maxi*[redacted] allowed under Takeover [redacted] rules it [redacted] many institutions, which turned down the Williams [redacted] willing [redacted] sell their [redacted] shares [redacted] cash. Morgan Grenfell, which advised *Williams on the bid*, [redacted] *convinced* [redacted] could have bought [redacted] per cent that day, if it had [redacted] full cash alternative.

It was [redacted] hampered [redacted] the bid was extended by five weeks. In accordance [redacted] *advice of the* [redacted] Fair Trading, Mr Peter Lilley, trade and industry secretary, agreed [redacted] accept Williams's undertakings [redacted] sell Racal's locks and [redacted] 15 months. But the Takeover [redacted] said the [redacted] should [redacted] until Mr Lilley [redacted] seen representatives from [redacted] parties in the [redacted] and [redacted] businesses.

Mr David McErlain, [redacted] of Anglo United which took [redacted] Coalite, the *smokeless* fuel busi[redacted] in a leveraged bid [redacted] 1988, believes there is no satisfaction in business comparable to [redacted] joy of winning [redacted] hostile bid. *If so*, Mr [redacted] accepted he [redacted] unlikely to experience that particular joy.

Lessons from Latin America on Soviet debt

Economics Notebook

By Stephen Fidler

COMMERCIAL banks [redacted] last week given [redacted] many had [redacted] fearing: capital [redacted] on the [redacted] Union's bank [redacted] would temporarily stop. At the [redacted] *Club*, meanwhile, government creditors discussed proposals [redacted] allow the successors of the [redacted] Union [redacted] delay principal [redacted] on [redacted] owed [redacted] them.

[redacted] it will [redacted] a long time [redacted] they receive further repayments of capital from the republics, and in the UK and other countries [redacted] will this [redacted] make provisions on their Soviet debt. In fact many credi[redacted] will be lucky [redacted] payments on time.

The Washington-based bank[redacted] *think-tank*, [redacted] International Finance, [redacted] last [redacted] payments problems of the Vnesheconombank, with which [redacted] foreign [redacted] was contracted, do not point to insolvency. The World Bank, *in its new debt* [redacted] published [redacted] week, [redacted] describing the [redacted] Union [redacted] "moderately [redacted]".

This [redacted] in line with the ratios it estimates of annual debt ser[redacted] 25 *per cent and 30 per cent* and total debt to exports of between 140 per [redacted] 170 per cent. [redacted] volatility of Soviet exports [redacted], however, the ratios should be regarded with [redacted].

The World Bank [redacted] Soviet hard currency reserves probably dropped so that they cover less than two months' imports, well below usual [redacted] levels. This [redacted] partly due [redacted] cessful, [redacted] costly, attempt [redacted] avoid [redacted] debt [redacted] in [redacted] middle [redacted] this year, when [redacted] including [redacted] metals, [redacted] sharply [redacted] foreign exchange.

The Soviet Union's successor [redacted] thus face – [redacted] they [redacted] their responsibility – a liquidity crunch in [redacted] after which their debt servicing problems should ease.

The Economic Outlook published last week by the Organisation [redacted] Economic Cooperation and Development, [redacted] there [redacted] probably [redacted] overall shortage [redacted] foreign exchange.

The Soviet Union's hard currency earnings are likely to [redacted] this year, in [redacted] fall in oil exports, [redacted] the country swung into an estimated [redacted] surplus of $1.5bn. There was deficit last year of $5.4bn.

[redacted] OECD [redacted] "an internal flight into foreign [redacted] rency has created severe financing problems despite an apparently strong current account."

[redacted] is [redacted] apparently [redacted] parallel with many Latin American countries that suffered debt problems in the 1980s: large foreign debts were owed by governments and large [redacted] hard currency [redacted] by the private sector, [redacted] in accounts o[redacted].

For the debts to be paid, the governments must move [redacted] *resources* from [redacted] private [redacted] (or in the [redacted] the [redacted] republics, freelancing [redacted] enterprises and [redacted] employees) [redacted] the public sector, [redacted] example through [redacted].

[redacted] by [redacted] Brainard [redacted] Goldman [redacted] in New York, based on a staff paper published by the International Monetary Fund, argues that a government's "management of its fiscal accounts, not *its balance of payments, is the* best leading indicator of its ability to pay and the likeli*hood of debt repayment*".

To back this, he compares Brazil to Mexico. In 1988, an analysis [redacted] two [redacted] balance of payments record suggested [redacted] ability [redacted] service [redacted] was higher than Mexico's, while an analy[redacted] country's [redacted] performance suggested the [redacted] site. "The balance of payments model points to the wrong conclusion," [redacted].

[redacted] analysis [redacted] of [redacted] government debt [redacted] unduly concerned by the big current [redacted] run by fiscally-stringent Mexico.

In [redacted] fiscal policies in [redacted] republics [redacted] Soviet Union, a small cur[redacted] *surplus* [redacted] not [redacted] optimism among lenders that they will [redacted] much of their money soon.

Avoiding [redacted]

Over [redacted] past [redacted] months, senior [redacted] officials of [redacted] Group of Seven industrial countries have devoted hours [redacted] trying to avoid a [redacted] default. This, [redacted] claimed, was [redacted] would be dangerous [redacted] a [redacted] and international financial [redacted] that [redacted] block [redacted] future financing.

But [redacted] mid-year [redacted] G7 [redacted] avoid default? [redacted] were [redacted] governments spending so [redacted] on [redacted] asthe [redacted] Union's main creditors?

While not directly addressing this, the World Bank's debt [redacted] discuss [redacted] effects of default by Brazil, which has *twice in five years declared* a moratorium on payments to commercial banks. Having cleared $8.5bn of arrears earlier [redacted] with a combination of cash and 10-year bonds, Brazil is now paying as it comes due 30 per cent *of interest on pub*lic debts.

They suggest the moratorium was costly to Brazil in several ways:

■ The volume of trade finance available to Brazil fell. Most likely, the [redacted] of trade was hit. [redacted] the 1987 moratorium, trade credit lines were cut by an estimated $2bn [redacted] in [redacted] by [redacted].

● Interest charges on the [redacted] lines [redacted] sharply, and maturities were *significantly* shortened, and the terms and availability of all types of trade finan[redacted] worsened from the Brazilian point of view. As a result, reserves had to [redacted] depleted.

■ *Access to bilateral or multi*lateral sources of finance was restricted.

■ Capital [redacted] increased, partly because [redacted] the [redacted] economic policies being [redacted] lowed at the same time.

■ Foreign [redacted] *investment* dropped substantially, [redacted] difficulties in securing finance for working capital may have [redacted] domestic investment.

● Interest income was lost in 1987 on international reserves because they had to be transferred to the low-paying Bank [redacted] Settlements [redacted] avoid commercial [redacted] attempts [redacted].

[redacted] (except for [redacted] foregone interest [redacted] reserves) [redacted] during [redacted] 1987 default is estimated by the Bank at $3.5bn.

The Bank adds though that it is often difficult to disentangle [redacted] effects of a [redacted] from [redacted] of the economy. Indeed, [redacted] Latin [redacted] usu[redacted] debt [redacted] have gone [redacted] in [redacted] economic policy.

Direct Line founder paid £1.8m

By Norma Cohen

MR PETER WOOD, founder of *the Royal Bank of Scotland's* Direct Line insurance division, has [redacted] £1.84m ($3.34m) [redacted] the year ended September 30 1991, almost all in the form [redacted] bonus. The salary and bonus make Mr Wood one of the UK's [redacted] executives [redacted] 1991.

Mr Wood, whose [redacted] annual salary is [redacted] higher [redacted] the Royal Bank of Scotland's [redacted] tive, said it [redacted] highly unlikely *he will earn anything close* [redacted] that in the [redacted] fiscal year.

"I used [redacted] 25 [redacted] of the service company and I sold it to Royal Bank in Scotland in 1988 for a very modest sum in *exchange for a service agree*ment," he said. If the net present value of Direct Line grows [redacted] than 12 [redacted] cent in a [redacted], Mr [redacted] is [redacted] bonus of one percentage point of the additional increase in value.

[redacted] Direct Line is probably [redacted] insurance company in the world, having scored profits of £10.1m in [redacted] fiscal [redacted], up 11 per cent from the year before. "If we had performed in line with the insurance industry index, we would have lost £30m last [redacted] and wiped out [redacted] all of Royal Bank of [redacted] *profits*," he said.

Direct Line's profits reflect its low expense base and its sophisticated computer technology which allows it to assess risk quickly.

The company has also *focused on car and home insur*ance to the lowest-risk end of the market. "We're not interested in inner city areas and in youngsters driving powerful cars," he said. "For the 80 per cent of this country in low-risk areas, we can get you the best deal," he added.

COMPANIES AND FINANCE

Conroy bid success may keep control of Galmoy

By Tim Coone in Dublin

CONROY PETROLEUM and Natural Resources, an Irish exploration group, [illegible] to have temporarily forestalled [illegible] by two major foreign mining companies to take control of one of Western Europe's major zinc and lead deposits.

On Friday night, Conroy reported that its takeover bid for Atlantic Resources, an ailing oil and gas exploration company, [illegible] been accepted by 67.5% of Atlantic's shareholders, in a share-swap offer which will dilute the majority shareholdings in Conroy by Outokumpu, the Finnish mining group, and Dundee Bancorp, a Canadian offshoot of Corona International.

At stake is control [illegible] a 6.2m ton deposit [illegible] lead ore at Galmoy, about 80kms [illegible] of Dublin, the Irish capital. It is thought to be the third largest deposit in western Europe after the Tara mine, owned by Outokumpu, and Lisheen, a promising 13.5m ton deposit which [illegible] 25 per [illegible] by Outukumpu through Ivernia West. All three deposits [illegible] in [illegible] proximity to each other.

The board of Conroy, under [illegible] chairman [illegible] Richard Conroy, made its surprise bid for Atlantic Resources last month, in a con[illegible]ersial move which angered the majority shareholders, Outokumpu and Dundee, which [illegible] them hold [illegible] per cent [illegible] Conroy's shares.

Planning permission for the mining of the Galmoy deposit is now in its final stages. A decision is expected in the New Year if Conroy meets the stringent [illegible] controls being demanded by the Kilkenny County Council, under whose jurisdiction Galmoy falls. The [illegible] has been interpreted [illegible] means [illegible] forestalling an expected takeover bid of Conroy by Outokumpu and Dundee, once planning permission is in place.

Outokumpu [illegible]d Dundee responded by calling for an EGM to dismiss the board [illegible] Conroy, but which is not likely [illegible] take place before the end [illegible] next month.

The terms of the Atlantic takeover, [illegible] bringing onto the Conroy board, one of the big guns of the Irish [illegible] [illegible], Mr Tony O'Reilly. [illegible] being Atlantic's chairman, Mr O'Reilly [illegible] also chairman of Heinz, the US food concern, the Irish Independent [illegible] group and Waterford Wedgewood.

Professor Conroy's aim is to make [illegible] company [illegible] "[illegible] Irish na[illegible] resources [illegible]pany of major proportions" and with Mr O'Reilly's support can now hope to muster the political and financial backing to bring the Galmoy deposit into production. This capital investment necessary is estimated to be around I£50m (£46m).

The Atlantic takeover has attracted criticism from [illegible] number of quarters however, particularly from market analysts who view it as [illegible] good deal for Atlantic shareholders but a poor one for Conroy's. The deal [illegible] a share [illegible] ordinary Conroy share for every [illegible] Atlantic, valuing Atlantic's shares at [illegible] for a I£7.7m total.

A study carried [illegible] by the Dublin stockbrokers Riada, and commissioned by Outokumpu and Dundee, notes "the open market value of Atlantic's assets, net of all liabilities, [illegible] around I£1.5m, [illegible] 0.54p per share, considerably [illegible] than the I£7.7m implied [illegible] the C[illegible] bid".

On the day before [illegible] bid [illegible] were trading [illegible] 2.125p. [illegible] "The [illegible] is undoubtedly very attractive to Atlantic shareholders but is unlikely [illegible] satisfy Conroy's short-term funding require[illegible]" which it estimates at [illegible] the next 12 months.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
[illegible]	Systemics [illegible]	Biotechnology research	[illegible]	Swiss losing business
[illegible] (France)	[illegible] (UK)	Hotels	[illegible]	Rules trigger full bid
[illegible] Itoh (Japan)	Unit [illegible] FKI (UK)	Air conditioning	£11.3m	Sale helps [illegible] gearing
Kolon Industries (S Korea)	Imperial Graphics (UK)	Acetates [illegible] Paper	[illegible]	S Korea's "[illegible] EC buy"
N Omron (Japan)	Schoenbuch [illegible] (Germany)	Electronics	n/a	1992 - driven purchase
BSN (France)	Sifit (Italy)	[illegible] drinks	[illegible]	[illegible] reorganisation
VF Corporation [illegible]	Unit [illegible] Damart (France)	[illegible]	n/a	[illegible]
Internationale Nederlanden (Holland)	Sviluppo Finanziaria (Italy)	Financial services	£24m	After majority control
[illegible] Electronics	[illegible] Ferranti International (UK)	Propulsion	n/a	Ferranti disposals continue
[illegible]	Von Roll (Switzerland)	Steel & Engineering	n/a	Accumulated 22.8% stake

Source: FT [illegible] + [illegible] International

70% jump for Ivory & Sime

By Peggy Hollinger

PROFITS [illegible] Ivory & Sime, the Edinburgh-based investment manager, advanced 70 per cent to £2.1m on turnover 15 per cent higher at [illegible] for the six months [illegible] October 31.

However, the interim dividend was maintained at 1.25p. Mr Allan Monro, the managing director who led a new management team into the group 18 months ago, said [illegible] company had declared uncovered dividends in two of the last three years and thus, the decision was taken to maintain the interim.

He said increased profits were the result of winning significant new business and [illegible] cost-cutting programme, although [illegible] acquisition [illegible] Argosy [illegible] Management in May had contributed a "good amount".

Funds under management rose 16 per cent to £3.1bn in the first half. Despite this, administrative [illegible] static at £5.1m.

Mr Monro said that since the new management [illegible] had taken over, the group had been refocused on two core [illegible]ities – investment [illegible] and institutional fund management.

Both divisions had improved on [illegible] previous period, although [illegible] had been depressed by the effects [illegible] rationalisation. "The benefits are beginning to show through in [illegible] half," Mr Monro said. He warned that the rate of growth would slow in the second half, although the "result will [illegible] satisfactory".

Earnings per [illegible] jumped from 2.51p [illegible] 4.15p.

Shell suits form part of French Connection undoing

By Jane Fuller

THE FASHION fad for shell [illegible] – shiny lightweight leisurewear – proved part of the undoing of French Connection, the USM-quoted wholesaler and retailer, in the six months to July 31.

[illegible] made a pre-tax [illegible] £4.99m, much deeper than last year's £220,000 first-half deficit, and passed its interim dividend (0.9p).

The b[illegible] negative was £2.8m of exceptional charges for inadequate stock and debt control in Bukta Connection, the closure of two other subsidiaries and reorganisation costs.

Both Mr Michael Shen, [illegible] executive, and Mr Stephen Malme, finance director, have left the group.

Mr Stephen Marks, chairman, who has taken on the role of chief executive, said Bukta was the main problem. The previous management had ordered too many shell suits and not done enough to move them.

After getting rid [illegible] the old stock, the subsidiary was focused on its successful business of making football strips, including those of Crystal Palace and West Ham.

Group turnover declined to £23.3m (£28.7m). After taking all the problems "on the chin", operating losses, which totalled £1.48m (profits £518,000) in the first half, would [illegible] reduced and there should be [illegible] more provisions.

On July 31, net debt stood at £5.5m, 84 per cent of shareholders' funds.

Mr Marks said there had been no breach of banking [illegible]enants, but the group's bankers had taken a keen interest since the departure of the chief executive. They remained supportive and discussions [illegible] going on about the facility, which was due for renewal [illegible] the end of this month.

"B[illegible] we have a good order book, we may need an injection of money," he said.

The group has about 40 French Connection and Nicole Farhi outlets. Retail sales grew [illegible] £6.4m (£6m).

[illegible] of the French Connection label fell by £1.3m to £15.9m, Nicole Farhi saw [illegible] growth.

The share price fell 4p on Friday [illegible] 16p, [illegible] low for the [illegible].

Bett Bros dives £8.9m into the red

IN "the most difficult year in the 45-year history of Bett Brothers", the Dundee-based construction, property investment and leisure group tumbled from pre-tax profits of £4.3m to losses of £8.85m in the year to August 31.

The group blamed the fall on the reduced value of its property holdings following the collapse of the UK property market.

The decline was exacerbated by a jump in the losses from investments in shares in associated undertakings to £7.05m (£1.1m) and by sharply higher interest of £3.17m (£723,000).

Group turnover rose 50 per cent to £30.9m (£20.6m), but losses per share were 57.35p (earnings 18.59p) and the final dividend is reduced to 2.1p *(4.3p) for a total of 4.2p (6.4p).*

NEWS DIGEST

Verson in loss and no interim

AFTER several years of uninterrupted growth, the effects of [illegible] Gulf war and the UK [illegible] led [illegible] Verson International, the electrical equipment and metal forming group, diving £4.7m into the red in the half [illegible] to July [illegible] 1991, against [illegible] pre-tax profit of £563,000.

There is [illegible] interim dividend (0.3p). [illegible] per [illegible] earnings).

Mr Tim Kelleher, chairman, said that manufacturing facilities operated well below capacity driving them into loss. Results were further hit by the interruption of normal cash flows from new order intake, resulting in higher than anticipated short-term borrowings and increased in[illegible].

Turnover of £40m (£34.7m) was 35 per cent below the anticipated figure. Mr Kelleher [illegible] major restructuring programme had been implemented and the manufacturing units were now moving into a posi[illegible] of trading profitably.

Acquisition helps Cupid to £93,000

The acquisition of Pronuptua helped Cupid, the bridalwear and nurserycare company, report increased turnover for the six months to September 30 of £6.07m, against £3.46m. However the pre-tax profit was only 15 per cent ahead at £93,000, compared with £81,000.

Earnings per share came [illegible] at [illegible] (1.7p), as a result of the [illegible] of 4.1m shares to help finance the [illegible]uisition.

Star Computer cuts deficit to £886,000

The changes implemented [illegible] the second six months ended June [illegible] enabled [illegible] Computer Group, [illegible] computer [illegible]vices [illegible], to cut full-year pre-tax [illegible] from £2m to £886,000. Turnover edged [illegible] from £13.6m to £13.7m.

Disposals and the closure of loss-making [illegible] [illegible]ated net profits of [illegible] while all future costs associ[illegible] with [illegible] former head [illegible] have been provided for. The [illegible] also [illegible] its overheads and ended the year with no borrowings.

Losses per share decreased from 27.2p to 12.6p. There [illegible] dividend.

Forminster profits maintained [illegible] £1m

In [illegible] half-year [illegible] 31, Forminster, [illegible] outerwear manufacturer, [illegible] pre-tax profits – but only by £2,000 to £997,000.

The marginal rise was struck on turnover 8 per cent ahead at £11.6m (£10.7m), but Mr Ronald Gulliver, chairman, said that the late summer weather had kept shoppers away from the high street stores.

After lower tax of £329,000 (£388,000), earnings were 22.31p (21.16p) per share. The company has continued to acquire its own shares for cancellation.

The interim dividend is [illegible] to [illegible] (3.475p).

Hilclare lower at £52,000 midway

Hilclare, the [illegible]-quoted maker of electronic, security and lighting products, reported a £29,000 fall in pre-tax profits to £52,000 in the six months to September [illegible]. The result was achieved on turnover of £1.4m, against £1.24m.

Earnings per share fell from 2p [illegible] 1.4p.

Stonehill losses fall to £290,000

Stonehill Holdings, [illegible] property and furniture group, reduced [illegible] pre-tax loss for the half year [illegible] September 30 [illegible] £650,000 to £290,000. Turnover increased to £1.09m, compared with £606,000.

[illegible] per share were 1.38p (3.25p).

Changes to FT Indices

THE following changes to indices will be made in companies' industrial [illegible] with [illegible] January 2 1992:

[illegible] in [illegible] FT-Actuaries Indices: Barry Wehmiller International [illegible] Engineering, [illegible] (FT-A [illegible] 7) [illegible] Industrial Materials (10); Blick [illegible] Electronics (5) from Electricals (4); BPP [illegible] B[illegible] Services (41) from Miscellaneous (48); Close Brothers to Merchant Banks (68) from [illegible] Financial (70).

Two [illegible] secondary lines of [illegible] will [illegible] included in [illegible] FT-A: SmithKline [illegible]cham Equity Units and [illegible] House A Ordinary.

[illegible] to FT-SE 100

For inclusion: Tomkins, MB-Caradon, Laporte.

For [illegible]: Asda, Lucas Industries, BICC.

Two additional secondary lines of [illegible] will be included in the FT-SE 100 Index: Smith[illegible] Beecham Equity [illegible] Trafalgar House A [illegible]nary.

Changes to London Share Service

The following [illegible] will be made in companies' industrial classifications in the London Share Service with effect from January [illegible] 1992:

ASB Barnett [illegible] Business Services (41) from Miscellaneous (48); CRT Group [illegible] Services (41) from [illegible]; EW Fact to [illegible] (41) [illegible] Miscellaneous (48); Intercare Group to Health Household (27) from Other Industrial Materials (10).

Courtaulds reorganises fine chemicals

By Daniel Green

Courtaulds, the UK chemicals and fibres group, is reorganising its fine chemicals business. The move [illegible] the merger [illegible] yarn unit [illegible] a joint venture with Snia, part of Italy's Fiat group.

Courtaulds Acetate and Fine Chemicals divisions are merg[illegible] become Courtaulds Chemicals. Mr Gordon Campbell, the director in [illegible] of chemicals and fibres, said this would "allow us to develop a much stronger business based primarily on acetyl-related chemicals and cellulose".

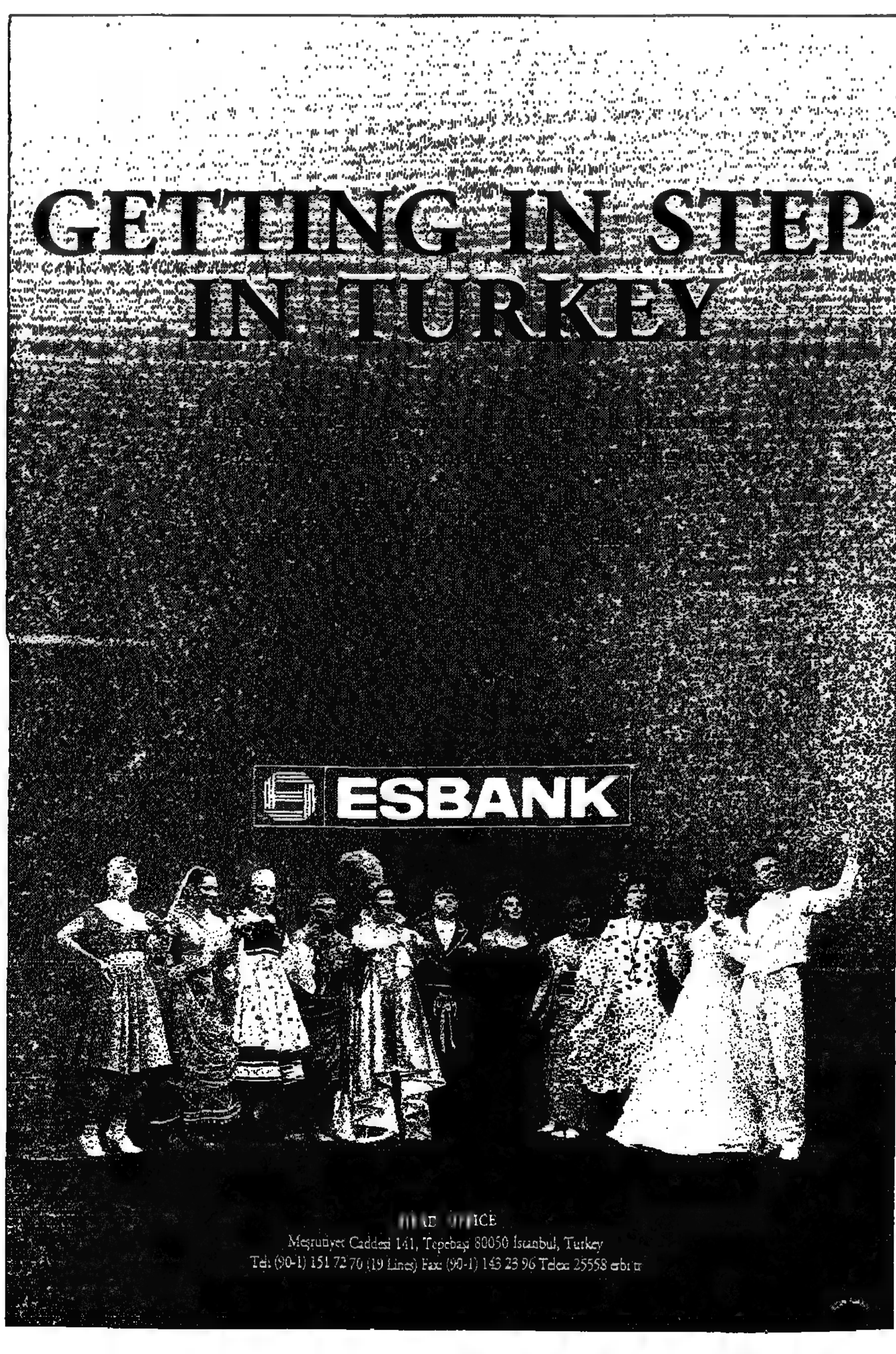
As a result, Courtaulds is abandoning the [illegible] sale of the fine chemicals business. The six month search for a [illegible] found none willing to pay the [illegible] Courtaulds asked.

The merger received the [illegible] the European [illegible] mergers Task Force on November 20. Combined turnover in the [illegible] to March 31 1991 was £120m.

DIVIDENDS ANNOUNCED

	[illegible] payment	Date [illegible] payment	[illegible]	Total for year	Total last year
Bett [illegible] ......fin	2.1	Feb 14	4.3	4.2	6.4
Brunner Invest ......fin	2.55	Apr 8	2.3	4.75	4.3
Chrysalis ......fin	nil	-	2	nil	4
Danae Investment ....int	3.375	Feb [illegible]	3.375	-	7.95
Elect and Gen ......int	[illegible]	[illegible]	1.5	-	3
Forminster ......int	3.78	Feb 14	3.475	-	11.75
[illegible] §......int	nil	-	0.9	-	2.7
[illegible] ......int	1.25	Jan 31	1.25	-	5.75
Kleinwort Chart ......fin	3.75	Apr 8	3.6	5	4.8
Safeland ......int	[illegible]	[illegible] 18	0.7	-	1
Verson Intl ......int	nil	-	0.3	-	1

Dividends shown pence [illegible] share net except where otherwise stated. §USM stock.



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INTERNATIONAL COMPANIES [redacted] FINANCE

Merrill Lynch sued by insurance watchdog

By Nikki Tait in New York

STATE insurance regulators in Florida are suing Merrill Lynch, the Wall Street brokerage house, over its involvement with Guarantee Security Life Insurance, a relatively small [redacted] life company seized by regulators last August and declared insolvent.

Also named in the lawsuit, filed in the state court on Friday, are Coopers & Lybrand, the international accountancy firm which acted as auditors to Guarantee Security, and Shereff, Friedman, Hoffman & Goodman, a New York-based law firm which served as the insurer's outside counsel.

The suit charges the advisers with [redacted] malpractice and breach [redacted] fiduciary duty [redacted] Guarantee. It claims they aided Guarantee's senior mana[redacted]t in breaching their fiduciary duties to Guarantee. The insurance department's suit [redacted] for \$300m in dam[redacted] from management [redacted] advisers [redacted] the insurance company.

However, Merrill Lynch dismissed the suit [redacted] "totally without merit" and [redacted] it would be vigorously contested. The brokerage house [redacted] with Guarantee had been [redacted] and legal".

Guarantee has around [redacted]7,000 annuity [redacted] life policyholders. In the [redacted] collecting annual premiums of more than [redacted] this fell [redacted] recent [redacted]

The lawsuit alleges that [redacted] company's former management concealed the inherent insolvency [redacted] the business from 1985, and [redacted] by way of excessive fees, compensation and illegal dividends. It [redacted] that they "stripped for their own [redacted] the equity [redacted] of junk bonds bought [redacted] by Guarantee."

General Cinema blames HBJ write-off for deficit

By Alan Friedman in New York

GENERAL CINEMA, the retailing, publishing and theatre group, suffered a \$293.1m loss in its fiscal year to last October 31, due largely to a \$269m write-off [redacted] with [redacted] acquisition of Harcourt [redacted] Jovanovich (HBJ), the ailing publisher.

The Massachusetts-based [redacted] Cinema, which [redacted] the [redacted] chain, [redacted] for the fourth quarter [redacted] its financial [redacted] \$283m, compared with a net profit of [redacted] time. [redacted] company's full-year \$293.1m loss compares with a \$30.4m net profit in the [redacted] to [redacted]

Revenues at General Cinema [redacted] only slightly [redacted] – from [redacted] to [redacted] – in [redacted] last quarter. Similarly, [redacted] group's full-year [redacted] were \$3.59bn, compared with \$3.56bn in 1990.

[redacted] Tarr, chief [redacted]tive, [redacted] results reflected [redacted] combined [redacted] Harcourt [redacted] "as if [redacted] merger with HBJ had been completed [redacted] periods [redacted]ented". [redacted] were "not [redacted] of [redacted] earnings potential [redacted] the [redacted]bined companies".

[redacted] said: "The numerous merger-related charges [redacted] quarter of fiscal [redacted] of the [redacted] companies' financial statements, [redacted] though the [redacted] companies operated independently, [redacted] these results extremely complex."

An example of this complexity is that the consolidated earnings of General Cinema for 1991 include \$266.4m of [redacted] most of [redacted] General [redacted] \$1.1bn [redacted] to buy HBJ [redacted] other HBJ [redacted] said it planned [redacted] off[redacted] the heavy [redacted] in the [redacted] quarter of its [redacted] year by claiming a \$441.6m after-tax gain on the purchase of [redacted] debt [redacted]

Ameritech takes \$140m restructuring charge

By Barbara Durr in Chicago

AMERITECH, [redacted] largest regional telephone [redacted]pany in the US, announced it would take [redacted] \$140m after-tax restructuring charge against fourth-quarter earnings.

The charge, which is expec[redacted] fourth-quarter earnings by 53 cents per share, includes costs related to reductions [redacted] workforce, write-[redacted] of certain [redacted] early retirement of debt, [redacted] other non-recurring [redacted]

Ameritech, which [redacted] reducing [redacted] year, said it would cut an additional 2,300 jobs over the [redacted] three to five years.

[redacted] 2,000 [redacted] already [redacted] early [redacted] by [redacted] of 1991.

The company also [redacted] it [redacted] quarterly dividend by 3 cents to 88 cents per common share, or \$3.52 annually, a 3.5 per cent increase.

Ameritech is the parent of the Bell companies that serve 12m telephone customers in Illinois, Indiana, Michigan, Ohio and Wisconsin.

In 1990, it earned \$1.25bn on revenues of \$10.7bn. In the fourth quarter last year, it earned \$286.8m, or \$1.09 per share.

Benckiser to acquire 80% of Polish plant

By Christopher Bobinski in Warsaw

BENCKISER, a German detergents producer, has agreed to pay DM8m (\$5m) for an 80 per cent share in the Pollena plant at Nowy Dwor Mazowiecki, [redacted]

The agreement [redacted] a [redacted] to spend a further DM13.7m on modernising the plant, which [redacted] production capacity of 40,000 tonnes, and to cover the factory's DM6m debt.

Benckiser is the third big European company to purchase a factory in Poland's detergents sector, which contains 10 plants and last year produced 160,000 tonnes. Earlier this month, Henkel agreed to pay DM17m for a 72.4 per cent share in the Raciborz factory, where it will invest DM20m in the next seven years. In the summer, Unilever paid \$20m for 80 per cent of the shares in the Pollena factory in Bydgoszcz, where additional investment should amount to \$94m.

This leaves only Proctor & Gamble, out of the bigger international companies in the field, without a production facility in Poland. Bain and Company, the US consultants responsible for the sale of Poland's detergent and household cleaning sector, estimates that the market was worth \$250m last year and will be worth \$500m in 1995.

Spain authorises sale of Banesto insurance stake

By Tom Burns in [redacted]

THE SPANISH government has finally authorised the Pta49bn (\$494m) sale by Banesto, the domestic banking conglomerate, of a 24 per cent stake in its insurance arm, Union y Fenix to AGF of France.

The economy ministry blocked the sale last month on the grounds that the authorities risked losing the possibility of levying capital gains tax, estimated to be more than Pta7bn. Under this plan, AGF would have acquired the stock in Union y Fenix from an offshore company set up by Banesto in the Dutch West Indies.

Banesto said it had been forced to drop plans for a tax efficient sale but had reached a "balanced and satisfactory" agreement with the economy ministry.

The bank said 1991 losses at four [redacted] main industrial assets, the textile [redacted] Sniace, the mining company Asturiana de Zinc, the real estate company [redacted] and the industrial gases company Car[redacted] Metalicos would exceed Pta10bn.

Degussa slides 44% before tax to DM179m

By Andrew Fisher in Frankfurt

DEGUSSA, the German [redacted] chemicals, and pharmaceuticals company, said its pre-tax profits fell 44 per [redacted] to DM179m (\$112m) in [redacted] financial [redacted] September 30, 1991.

[redacted] the [redacted] in a series of lower profit statements by German companies heavily [redacted] foreign markets.

Degussa [redacted] 1990-91 had been "a particularly difficult year".

The [redacted] slowdown affected key parts of [redacted] business, and the expected upswing in the [redacted]d half failed to occur. "Rather, there was a particularly marked seasonal downturn during the summer months," it said.

Group turnover was 4 per cent lower [redacted] DM13.4bn, although it was similar [redacted] the previous [redacted] when precious [redacted] – down by 13 [redacted] cent to DM3.8bn – was excluded.

[redacted] were up in Germany, because of the first-time inclusion of [redacted] precious metals unit, and in western Europe.

COMPANY NEWS IN BRIEF

KPMG Peat Marwick advances

KPMG PEAT Marwick, the accountancy and consulting firm, announced worldwide fee income up 12 per cent to \$6bn for the year to September 30, writes Andrew Jack.

Audit fees grew by 13 per cent to \$3bn and tax services by 16 per cent to \$1.2bn. Revenues in Europe increased by 23 per cent to \$3.1bn, while those in the Asia and Pacific region grew by 24 per cent.

The workforce fell by more than 1,000 staff to 76,213. In common with others in the profession, the firm does not disclose profit figures.

Mr Jim Butler, chairman, said the company would increasingly focus on integrated services to particular [redacted] including financial services, insurance [redacted] high [redacted]nology.

■ A group led by Canadian Occidental Petroleum, and including a Shell Oil unit, plans [redacted] develop 120,000 [redacted] daily [redacted] production from [redacted] Sunah, [redacted] and [redacted] oil[redacted] in the [redacted] Republic. [redacted] capital [redacted] US\$500m, writes Robert Gibbens in Montreal.

[redacted] oil would [redacted] from a central gathering system by pipeline nearly [redacted] miles [redacted] a [redacted] terminal on [redacted] Gulf of Aden. The development plan will [redacted] with the Yemen government in January and oil is due to flow late in 1993.

Reserves in the three fields so far are put at 550m barrels, including 235m barrels recoverable. The group has a 6.8m-acre concession [redacted] miles from tide water, but in a remote location.

In the past two years, three drilling rigs and two geophysical crews have outlined 13 separate structures. However, the drilling has been limited.

■ Danisco, [redacted] Danish sugar, distilling, food and packaging group, has reported a 35 per cent drop in first-half profits, writes Hilary Barnes in Copenhagen.

The result fell to D[redacted] (\$78.3m) in [redacted] months [redacted] October 31, compared with DKr712m in the previous [redacted]sponding [redacted]iod.

The company blamed depressed [redacted] markets, high interest [redacted] and high depreci[redacted] the [redacted] programme in [redacted]

Group [redacted] from DKr6.07bn [redacted] DKr6.4bn. Full-year operating profits would be slightly [redacted] last year's DKr1.11bn, [redacted] higher than the previous year's DKr1.0bn, the report [redacted]

Danisco is the result of a merger in 1989 between Danish Sugar, Danish Distillers, and Danisco. With an annual turnover of about DKr12bn, it is one of Denmark's largest industrial companies.

■ Incentive, [redacted] Swedish investment and industrial company, has reached a preliminary agreement for the sale of its development subsidiary to Charterhouse, the British-based merchant and investment banking group, writes Robert Taylor in Stockholm.

It hopes to complete the sale by the end of next month for an undisclosed price.

The sell-off is part of Incentive's new strategy, which began this [redacted] to focus exclusively on its engineering activities.

Incentive Development, which specialises in electronics, the making of scientific instruments and electro-technical controls, made a SKr38.8m (\$6.9m) loss last year but its total revenues were SKr778.9m.

The purchase will be acquired by Charterhouse through its European partners fund, which has 110m put aside for [redacted] European companies with an international focus.

UK GILTS

Bundesbank move hits short end

A RISE in German interest [illegible] and worries about the effects of the UK recession on the government conspired to push up gilt yields, in spite of [illegible] run of data indicating [illegible] weak economy.

The decision by the Bundesbank to increase the discount rate from 7.5 per cent to 8 per cent to damp inflationary pressures particularly affected the short end of the gilts market, where yields rose by about 30 basis points (0.3 per cent) by Friday night compared with a week earlier.

Yields for gilts maturing after [illegible] also [illegible] by about 10 basis points, as demand for bonds in this part of the yield curve eased from their high levels in recent weeks.

Investor interest in long-duration bonds was weakened by concern that the poor economic news might reduce the Conservatives' election chances and by the availability of a large amount of new stock from the Bank of England.

The £1bn worth of Treasury [illegible] per cent stock maturing in 2007, which became available [illegible] trading [illegible] Monday, excited [illegible] demand during the week.

This underlined the difficulties for the UK authorities over the next two years as they seek to sell large volumes of bonds to pay for public spending.

With the general upward drift in yields, prices fell by about half a point along the yield curve. The 10 per cent Treasury bond maturing in 1994 was quoted [illegible] Friday night at 100$\frac{1}{16}$, and the longer-maturing Treasury stock due [illegible] 2008 ended the week at about [illegible]

Prices weakened even though several pieces of data pointed to a slow recovery, with extremely weak inflationary pressures. In theory, such [illegible] should have pushed up prices in increasing the demand for fixed-interest debt instruments:

■ The Central [illegible] Office [illegible] [illegible] domestic product grew by [illegible] per [illegible] between the second and third three-monthly periods, rather than the 0.3 per cent estimated by the office in preliminary figures last month. Not including oil and gas production, which increased around the summer of 1991 as [illegible] result of extra activity in the North Sea oilfields, the economy shrank [illegible] the two quarters [illegible] [illegible] per cent. That weakened the government's case that an economic recovery might [illegible] under way.

● November [illegible] [illegible] sharp increase in unemployment, taking the total above 2.5m for [illegible] first time in nearly [illegible] [illegible] month's [illegible] increase in the seasonally-adjusted jobless figure, to 2.51m, followed a rise of a revised 16,900 in October, and was the biggest since August. It took the gloss off news that the year-on-year increase in underlying earnings fell in October, to 7.5 per cent from 7.75 per cent in September, a further indicator of [illegible] reduction in inflationary pressures.

● Manufacturing output in the [illegible] months [illegible] October declined by 1 per cent [illegible] pared with [illegible] previous three months, hitting hopes that the downturn in [illegible] production might [illegible] [illegible] off and that a recovery could be near. Even though manufacturing accounts for little more than a fifth of the economy, it has a disproportionate effect on the outlook for other sectors such as services.

With the Treasury's forecast of economic recovery in the last six months of 1991 looking increasingly optimistic, the economic data increased the political pressure on the government, which needs clear signs of an upturn in the run-up to the 1992 election.

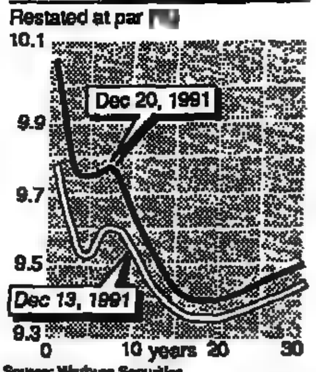
The room for manoeuvre of Mr Norman Lamont, the chancellor, was further reduced by the German [illegible] rise. By putting the pound under strain in the exchange rate mechanism, the rise decreases the probability of an imminent cut in UK interest rates from their current 10.5 per cent.

The Bundesbank's rate rise may be the last for some time. The next move by the central bank could be to ease monetary policy, [illegible] development [illegible] could [illegible] it [illegible] for the UK to court political popularity by a rate reduction some time around the spring.

Peter Marsh

UK gilts yields

Restated at par [illegible]



Source: Warburg Securities

AUSTRALIAN BONDS

Appeal of top performer begins to fade

THE Australian government bond [illegible] could [illegible] victim of [illegible] next year: outstanding [illegible] in 1991 [illegible] international [illegible] question how much further it can rally.

[illegible] bonds certainly turned in a [illegible] performance [illegible]. According [illegible] J.P. [illegible] government bond index, it [illegible] performing [illegible] and US [illegible] investors, turning in [illegible] return [illegible] 23 [illegible] the year for both.

In contrast, Spain and Italy, Europe's top performing government bond [illegible] – which [illegible] huge international [illegible] this [illegible] – turned [illegible] a [illegible] of just 17 [illegible] cent.

Recent political upheaval, culminating last [illegible] in [illegible] replacement of Mr Bob Hawke by Mr Paul Keating as prime minister, has raised expectations of an early cut in interest rates and a further rise in bond prices.

The market staged a minor rally last week, once the uncertainty about the leadership of the government was removed.

Government bonds at the 10-year maturity closed on Friday on a yield of 9.53 per cent, from 9.69 per cent at the start of the week. At the shorter maturities, the rally was still more significant. One-year yields [illegible] from 7.48 per cent to 7.30 [illegible] cent [illegible] the week.

The rally [illegible] fuelled [illegible] expectations that the new prime minister will cut Australian interest rates by at least 1 per cent, from 8.5 per cent, to stimulate the economy.

The next rate cut could come with the announcement of consumer price inflation figures on January 29. Market analysts are expecting the year-on-year rate to fall to 1.7 per cent, from a current level of 3.4 per cent, as oil price rises this time last year drop out of the calculations.

The figure may be a one-off, but in the face of an unemployment rate in excess of 10.5 per cent and rising, the new prime minister may use the announcement as an excuse to cut rates.

Against this background, the outlook for bond prices appears favourable. Yet banks report an "orderly withdrawal" of European and US funds from the Australian dollar bonds over the past two months.

This has also been shown in the Eurobond market, where the supply of new Australian dollar bond issues has almost dried up.

One reason is that retail [illegible] in Europe [illegible] attracted to high-yielding bond markets and high-coupon bond issues. When Australian dollar Eurobonds were carrying coupons of up to 15 per cent, a steady flow of European money was entering the market.

Now coupons have fallen as low as 9 per cent, scarcely more attractive than, say, French franc Eurobonds in terms of yield but with additional currency risk.

Some overseas institutional investors are still sporadic buyers of Australian bonds, often to re-invest the proceeds from maturing bond holdings. But there is a widespread view that gains from any further interest rate cuts are outweighed by the long-term risk of holding financial assets denominated in Australian dollars.

Simon London

US MONEY AND CREDIT

Shock therapy replaces gradualism

ONE hundred basis points!

According [illegible] many in the bond market, nothing could better illustrate the inadequacy of Mr Alan Greenspan's hitherto gradualist approach to interest rate cuts than the full percentage point cut in the discount rate launched by the Federal Reserve on Friday.

Coming in a week that saw the White House scrap its efforts to portray the US economy as recovering and concede that "for all practical purposes the recession continues", the Fed's cutting of the discount rate to 3.5 per cent confirms what many in the bond market have known for months – the recent string of quarter-point interest rate cuts has failed to [illegible] US business confidence or consumer spending.

The Treasury bond market reacted predictably to the Fed's attempt at shock treatment, which included a half-point lowering of the Fed funds target, to [illegible] per cent.

The benchmark 30-year bond rallied strongly on Friday, rising by nearly [illegible] full point. The 30-year paper ended the [illegible] some 2$\frac{1}{32}$ higher, at 104$\frac{1}{32}$, producing [illegible] yield of 7.57 per cent.

The short end of the market reacted [illegible] more sharply than the long end; the yield on two-year notes was down to [illegible] [illegible] cent [illegible] the [illegible] business on Friday, which means its yield declined by 4.5 [illegible] against the [illegible] cent relative decline in [illegible] yield of 30-year bonds.

One possible explanation for the sharper movement in short-term maturities is the [illegible] inflationary pressures resulting from an over-stimulated economy. Yet few investors, bankers or economists surveying the damaged US economy appear truly frightened by inflation right now.

Instead, the fact that Mr Greenspan and his colleagues decided to bite the bullet was seen by many as evidence of how badly Washington has miscalculated on the economy.

Not since December 1981, in the depths of the last great recession, has the Fed cut the discount rate by 100 basis points in one move. And not [illegible] rate been so low.

The cut, in the view of Smith Barney, "is a recognition of the fact that most of the Fed's previous rate cuts were anticlimactic and, therefore, largely ineffective in preventing a deterioration of consumer and business confidence".

"Gradualism was truly abandoned on December 20, 1991. The Fed may have felt its past actions, exhibitions of gradualism, didn't bear fruit," said Mr William Sullivan, director of money market research at Dean Witter Reynolds.

Mr Robert Brusca, chief economist at Nikko Securities, noted that, after adjusting for inflation, the Fed funds rate had – until Friday – still not been lowered to the average level of past recessions. "By recession-ending standards, the Fed is still quite tight."

One of Mr Greenspan's harshest critics was Mr Philip Braverman, chief economist at DKB Securities. Even before the rate cut he pointed out that the Fed chairman, together with President Bush, had claimed the recession was over. "These are the same people who did not see the recession coming or recognise we were in it, when it had begun. They were wrong before, and are wrong again."

Indeed Mr Greenspan came close to a *mea culpa* during testimony before Congress last week when he admitted that his optimism earlier this year had been unjustified. [illegible] was in line with the White House about-face, epitomised by a remark from Mr Marlin Fitzwater, the spokesman: "The people of this country know that the economy is in trouble and it doesn't make any sense to play games."

Politics aside, many in the [illegible] market still wonder how effective interest rate cuts will be in the US economic climate. Logic dictates that they must help those burdened by heavy borrowings. Yet many individuals and companies have used lower rates to renegotiate loans rather than to engage in new capital spending.

And commercial banks have been notoriously slow to pass on lower rates to clients, preferring to bolster their profit margins by keeping lending rates relatively high, a policy that has received the implicit backing of the Fed.

While it would be surprising to see another sharp rate cut in the near term, many expect the Fed funds rate to be directed below 4 per cent in the New Year, while the discount rate could be reduced another 50 basis points to 3 per cent by [illegible] spring of 1992.

What no one can say with any certainty is how far the Fed needs to go before the ailing US economy finally reacts.

Alan Friedman

US MONEY MARKET RATES (%)

	Last Friday	[illegible] ago	[illegible] ago	[illegible] High	[illegible] Low
Fed Funds (weekly average)	4.60	4.00	4.69	11.00	2.00
Three-month Treasury bills	3.76	4.22	4.53	8.29	3.76
Six-month Treasury bills	3.95	4.32	[illegible]	7.70	3.95
Three-month prime CDs	4.30	4.55	[illegible]	7.17	4.30
30-day Commercial Paper	4.50	4.85	[illegible]	7.12	4.50
90-day Commercial Paper	4.30	4.60	4.85	7.02	4.30

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	[illegible]	[illegible]	6.53	6.72	[illegible]
20-year Treasury	[illegible]	[illegible]	[illegible]	7.54	7.71
30-year Treasury	104[illegible]	[illegible]	7.57	7.71	[illegible]

Source: Salomon Bros [illegible]

Money supply: In the week ended December 9, M1 fell by $6.5bn to $894.9bn.

FT/AIBD INTERNATIONAL BOND SERVICE

	Issued	Bid	Offer	Chg on week	Yield
U.S. DOLLAR STRAIGHTS					
ABBEY NATIONAL 9 3/4 96	[illegible]	[illegible]	[illegible]	[illegible]	6.08
ABN 9 1/8 94	[illegible]	[illegible]	[illegible]	[illegible]	6.37
AETNA LIFE & CAS 7 3/4 16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ALBERTA PROVINCE 8 5/8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ALBERTA PROVINCE 9 3/8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AMERICAN EXPRESS 0 03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AMERICAN GENERAL 9 3/4 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AMERICAN INTL 0 04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ASIAN DEV BANK 0 04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRALIA 11 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PROCTER & GAMBLE 10 95	150	[illegible]	[illegible]	[illegible]	8.01
PRUDENTIAL RLTY SECS 0 99	[illegible]	[illegible]	[illegible]	[illegible]	8.01
QANTAS AIRWAYS 8 5/8 96	[illegible]	[illegible]	[illegible]	[illegible]	7.80
QUEBEC HYDRO 9 01	[illegible]	[illegible]	[illegible]	[illegible]	8.06
QUEBEC HYDRO 9 3/4 98	[illegible]	[illegible]	[illegible]	[illegible]	7.65
QUEBEC PROV 9 98	[illegible]	[illegible]	[illegible]	[illegible]	7.52
QUEENSLAND GOVT 10 1/4 95	[illegible]	[illegible]	[illegible]	[illegible]	6.66
RALSTON PURINA 11 3/4 95	150	[illegible]	[illegible]	[illegible]	7.42
REED PUBLISHING 9 5/8 97	150	[illegible]	[illegible]	[illegible]	7.64
REYNOLDS GRD 10 1/4 95	[illegible]	[illegible]	[illegible]	[illegible]	8.59
SAINSBURY 9 1/8 96	150	[illegible]	[illegible]	[illegible]	7.08
SARA LEE 9 3/8 93	150	[illegible]	[illegible]	[illegible]	6.12
SAS 10 99	200	[illegible]	[illegible]	[illegible]	8.59
SAS 10 1/8 95	150	[illegible]	[illegible]	[illegible]	7.47
SWISS FRANC STRAIGHTS					
ASIAN DEV BANK 6 10	100	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA 4 5/8 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CHUBU ELEC POWER 6 3/4 01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
COUNCIL EUROPE 4 3/4 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 5 1/2 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 6 1/2 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ELEC DE FRANCE 7 1/4 06	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FINLAND 5 3/8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GENERAL MOTORS 7 1/2 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JAPAN DEV BK 5 1/2 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KOBE 6 3/8 01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE FINANCE 7 1/2 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 5 3/4 98	1000	[illegible]	[illegible]	[illegible]	[illegible]
EIB 6 7/8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EUROFIMA 6 1/4 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FIRST INTERSTATE 5 3/4 96	[illegible]	[illegible]	[illegible]	[illegible]	10.30
IND BK JAPAN FIN 5 5/8 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IND DEV BK INDIA 6 3/8 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LUFTHANSA INT FIN 5 7/8 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NACIONAL FINANCIERA 11 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NAT BK HUNGARY 8 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
QUEBEC HYDRO 6 3/4 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWEDEN 6 1/8 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WORLD BANK 0 15	2000	[illegible]	[illegible]	[illegible]	[illegible]
WORLD BANK 5 3/4 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WORLD BANK 7 1/8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HANKYU DEPT STORES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HINO MOTORS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KOBE STEEL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MITSUBISHI EST	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MITSUI TOATSU CHEM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.07
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NIPPON [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NISSHIN STEEL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ROYAL HOTEL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TAKASHIMAYA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TOTO SASH	[illegible]	[illegible]	[illegible]	[illegible]	15.55
YAMANOUCHI PHARM	[illegible]	[illegible]	[illegible]	[illegible]	14.54

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.[illegible] = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price [illegible] buying shares [illegible] the bond over the most recent share price.
WARRANTS: Equity warrant, prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on December 20

INTERNATIONAL CAPITAL MARKETS

Sara Webb and Tracey Corrigan review a year of trading in the syndicated loans and international bonds markets

Basle requirements push up pricing

Few of those bankers involved in the syndicated loans market are likely to [illegible] back on 1991 with a sense of nostalgia.

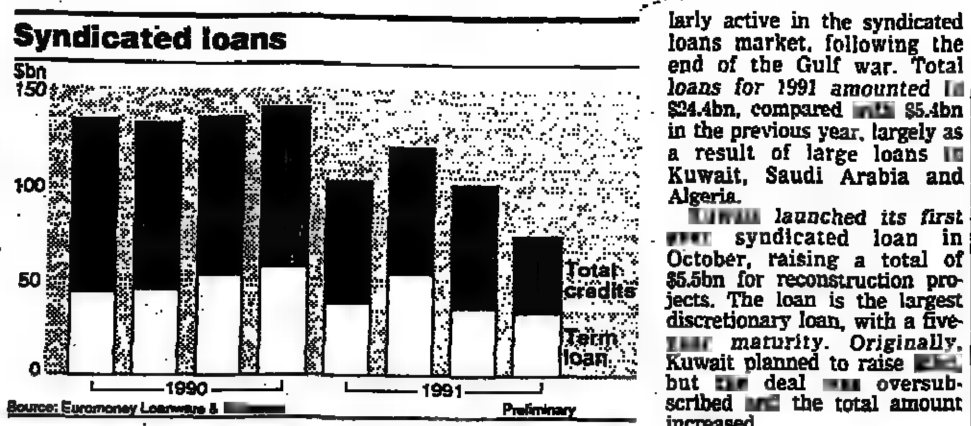
The number of syndicated loans launched over the last year was well down on [illegible] mainly due to the new capital adequacy requirements and the recession in the Anglo-Saxon economies.

In addition, with [illegible] number of corporate disasters and embarrassing blunders – Polly Peck, Brent Walker, Federcon[illegible] and the Maxwell empire [illegible] name a [illegible] – [illegible] in [illegible]ers' minds, lenders claim to be focusing their attention on quality credits.

The total volume of syndicated loans for [illegible] so far [illegible] $408.9bn, representing a [illegible] of 3,045 issues, compared with $557.7bn, and 4,567 issues, [illegible], according [illegible] figures compiled by the magazine, *Euromoney*. While [illegible] sluggishly, [illegible] picked up in the second quarter [illegible] bankers ended the year feeling slightly more optimistic about [illegible] 1992.

Volumes are lower [illegible] assortment [illegible]. The [illegible] capital adequacy requirements agreed by the [illegible] Committee [illegible] selective in [illegible] lending, [illegible] turn has helped to push up [illegible] pricing [illegible] loans. Pricing – including [illegible] margin [illegible] London interbank [illegible] – is now two or three [illegible] higher than it was two years ago, although most bankers agree that it has now reached a plateau.

With the current recession



in the Anglo-Saxon economies, many banks are worried about the credit-worthiness [illegible] borrowers. As a result, [illegible] are placing more emphasis on the [illegible] loan covenants and are demanding tighter financial ratios.

Finally, there has [illegible] noticeable trend, particularly [illegible] UK corporate borrow[illegible] loans instead of syndicated loans. BP, *for example, decided* [illegible] reduce [illegible] number [illegible] banks from [illegible] was borrowing and set up a series of individually arranged bilateral loans.

Other companies have taken similar steps, although [illegible] deals are not usually disclosed and therefore do not appear in the annual figures.

Looking [illegible] breakdown by country, loan volumes for North America and Europe are sharply below the 1990 levels. In the US and Canada, [illegible] provisional figure for syndicated loans in 1991 is $195.3bn, compared [illegible] $294.7bn in 1990.

In [illegible] Europe, syndi[illegible] 1991 amounted to $94.4bn, down from [illegible] in 1990. The UK accounted for the bulk of the European loans, with [illegible] provisional total of $54.4bn in 1991, down [illegible] $94bn in 1990.

Bankers [illegible] been gloomy [illegible] UK [illegible] for much of [illegible] year, although activity picked up [illegible] *end of 1991*, helped by [illegible] number of takeovers.

However, with the UK economy in the depths of a recession, companies generally have been reluctant to borrow more *money. Many took advantage* of the rise in the London stock market [illegible] start [illegible] in order to launch rights issues and reduce their gearing levels. While [illegible] borrowers succeeded in arranging very cheap standby credits and multi-option [illegible] in [illegible] mid-1980s, [illegible] in pricing [illegible] likely to [illegible] them from [illegible] large replacement facilities when [illegible] existing [illegible] come [illegible] maturity.

Italy [illegible] rank [illegible] UK [illegible] main [illegible]ern European borrowers, [illegible] also [illegible] volumes [illegible] year. [illegible] loans [illegible] Italian borrowers [illegible] fallen from the [illegible] $7.2bn; [illegible] drop [illegible] general [illegible] loans market, international bankers [illegible] lending to [illegible] controlled borrowers [illegible] surrounding Federconsorzi, the financially-[illegible] Italian [illegible] co-operative.

By contrast, Middle [illegible] have been particularly active in the syndicated loans market, following the end of the Gulf war. Total *loans for 1991 amounted* [illegible] $24.4bn, compared [illegible] $5.4bn in the previous year, largely as a result of large loans [illegible] Kuwait, Saudi Arabia and Algeria.

[illegible] *launched its first* [illegible] syndicated loan in October, raising a total of $5.5bn for reconstruction projects. The loan is the largest discretionary loan, with a five-[illegible] *maturity. Originally,* Kuwait planned to raise [illegible], but [illegible] deal [illegible] oversubscribed [illegible] the total amount increased.

Saudi Arabia borrowed $4.5bn after the conclusion [illegible] the [illegible] for [illegible]ral pur[illegible], [illegible] launched [illegible] $300m loan.

Turkey, which [illegible] included [illegible] Middle Eastern borrowers, has continued to tap [illegible] capital markets. During the Gulf [illegible] it was difficult for Turkey [illegible] syndicated loans market because bankers were worried [illegible] risk [illegible] to [illegible] *graphical position. However,* [illegible] ended, several Turkish [illegible] to the market, mainly [illegible] loans.

However, bankers point [illegible] sharp [illegible] in borrowing [illegible] an [illegible]. They [illegible] not expecting [illegible] lend large amounts [illegible] Middle [illegible] year, except [illegible] of Kuwait, [illegible] for certain project-related loans, [illegible] arranging financing [illegible] aircraft purchases.

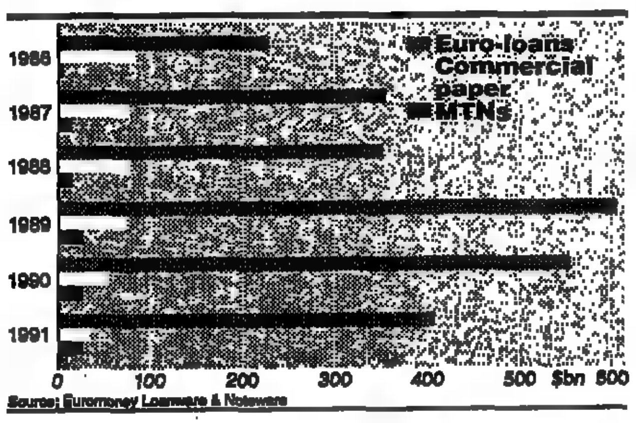
S.W.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	[illegible]
US$	2,616.3	30.0	282.1	[illegible]
Prev	1,367.8	0.0	631.0	[illegible]
Other	5,067.1	0.8	194.3	[illegible]
Prev	1,986.2	0.0	576.7	[illegible]
Secondary Market				
US$	26,056.1	1,049.4	6,765.3	[illegible]
Prev	24,392.0	807.6	6,917.7	[illegible]
Other	33,163.7	690.0	3,842.2	[illegible]
Prev	30,337.3	744.7	4,243.5	[illegible]
	Cedel	**Euroclear**	**Total**	
US$	20,316.2	39,416.1	59,732.3	
Prev	21,967.0	31,977.0	53,944.0	
Other	52,460.9	117,551.7	170,012.6	
Prev	53,015.8	102,201.8	155,217.6	

Week to December 19, 1991

Source: AIBD



Volume hits record after slow start

Favourable trading conditions and a surge in [illegible] issue volume *restored profitability in the* international capital markets this year.

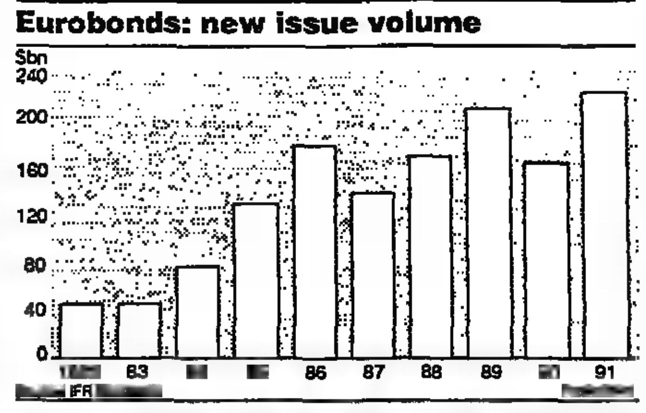
Despite a slow start to the year because of the Gulf war, volume reached a record level, *with* [illegible] in the Eurobond market totalling [illegible] $230bn. The rise [illegible] a [illegible] turnround [illegible] a poor showing of only $161bn of [illegible] in 1990, when many investors switched into [illegible] Iraq's invasion of Kuwait [illegible] August [illegible]. The previous record [illegible] issues, reached in [illegible] $210bn (of which $63bn was made up [illegible] Eurodollar [illegible] with equity warrants attached, compared with just $21bn [illegible] year).

However, [illegible] trading profits which will transform the bottom line of many houses. Trading conditions this year [illegible] been "a trader's dream", according [illegible] one head [illegible].

Apart from favourable economic fundamentals, [illegible] technical shape [illegible] *facilitated trading.* [illegible] dollar-led markets, bond yield [illegible] have been steeply positive [illegible] much [illegible] year, which [illegible] hold positions [illegible] cheaply. The Eurobond market [illegible] further favoured by a tightening [illegible] yield spreads relative [illegible] underlying [illegible] bond markets in most sectors.

[illegible] was [illegible] spreads to tighten despite rising bond markets because [illegible] heavy flow of [illegible] issues [illegible] by [illegible] steady [illegible] redemptions and [illegible] broader spread [illegible] issuance [illegible]. The tightening [illegible] Eurobond spreads [illegible] encouraged by tighter [illegible] spreads. In addition, the increasing institutionalisation of [illegible] encouraged [illegible] to [illegible] yield spreads.

Meanwhile, several [illegible] squeezed trading margins [illegible] low volume convinced a number [illegible] houses [illegible] *more* [illegible] *their* [illegible] *capital* [illegible] trading in an [illegible] to [illegible] returns. The strong performance [illegible] bond [illegible] allowed many of these [illegible] attractive rewards from their "proprietary trading" desks,



which often use sophisticated arbitrage trading techniques [illegible] trade [illegible] firm's capital. The style [illegible] trading [illegible] originated by US [illegible] as [illegible] Brothers and Goldman Sachs, but [illegible] Japanese [illegible] European firms have [illegible] the practice.

The [illegible] was [illegible] by expansion in the [illegible] of derivative products. Encouraged by [illegible] relatively wide profit margins still available in the over-the-counter market, more [illegible] entered the [illegible] market, [illegible] setting up [illegible] derivatives units. This led [illegible] increasing competition [illegible] few signs suggest [illegible] has yet substantially expanded [illegible] a broader [illegible] institutional investors.

The importance [illegible] dollar straight [illegible] continued [illegible] decline. [illegible], the Eurobond market [illegible] essentially [illegible] bond market, with dollar issuance accounting [illegible] three-quarters of [illegible] market. [illegible] *fall* below [illegible] per [illegible].

"The [illegible] things [illegible] going, in [illegible] few years the pattern will be [illegible] per [illegible] dollars, [illegible] per cent yen, 25 [illegible] Ecu, [illegible] *then a scattering of other* currencies," [illegible] syndicate manager [illegible].

The [illegible] of [illegible] dollar [illegible] been paralleled by growing institutionalisation, even [illegible] which were formerly considered retail currencies.

Once [illegible] favourite with German [illegible] investors, the Canadian dollar sector [illegible] become widely [illegible] by institutions. New [illegible] volume surged from [illegible] year [illegible] than $18bn this year, as global offerings of Canadian bonds attracted [illegible] broader investor base.

In addition, the Canadian government bond [illegible] *of the strongest* performers, offering [illegible] of more than 20 per cent for dollar-based investors. [illegible] the Canadian [illegible] market proves [illegible] have little further *upside, dealers say the* Canadian [illegible] here to stay [illegible] institutional currency.

The Ecu bond market [illegible] two-tier market, with large sovereign bonds traded as quasi-government bonds, and [illegible] shrinking corporate bond [illegible] concentrated mainly among [illegible] investors. [illegible] strong [illegible] year, [illegible] Ecu bond market became overloaded [illegible] succession of large sovereign issues, including [illegible] successful debut by [illegible] UK. Uncertainty about the future direction of [illegible] market effectively dampened activity in [illegible] the year.

Nevertheless, issuance almost doubled from $17.6bn last year [illegible] $31.6bn, [illegible] a large number [illegible] *institutions* [illegible] *the market* [illegible] first time.

Despite the growth in issuance, [illegible] remains [illegible] from mature, [illegible] reversals [illegible] fortune prompted by speculation about the futures [illegible] currency demonstrated, and [illegible] already over-broked.

However, the Maastricht agreement [illegible] progress towards monetary union should help restore [illegible] in the market. In addition, a number of sovereign borrowers are expected to line up again next year.

As a general shift of [illegible] from the US [illegible] Europe is expected, [illegible] sector stands [illegible] benefit. However, the choice of European markets offering reasonable liquidity has mushroomed. The French market expanded dramatically last year, with issuance growing from [illegible] to nearly $16bn. Other retail sectors, such as the Italian and Spanish markets, also flourished. The investment theme [illegible] – the economic [illegible] of European markets – [illegible] expected to continue, although the [illegible] of change [illegible] likely [illegible] slow now [illegible] high-yielding markets have already made considerable [illegible].

The year also proved an important [illegible] for [illegible] Euroyen [illegible] market, which enjoyed a partial [illegible] after [illegible] of [illegible]. The [illegible] in volume from [illegible] to [illegible] helped [illegible] the [illegible] flagging liquidity.

The World Bank plans to *launch* [illegible] *first global* bond offering [illegible] early [illegible] year, which [illegible] provide a further fillip [illegible] arbitrage with [illegible] government [illegible] market.

The World [illegible] will also [illegible] global offering in the dollar [illegible] in January. [illegible] dollar [illegible] prompted by [illegible] heavy [illegible] bond redemptions, totalling $7bn in March. Overall, [illegible] the heaviest month for redemptions [illegible] $15bn.

[illegible] issues market, the widespread [illegible] of [illegible] price re-offer system, under which underwriters [illegible] *services, helped* [illegible] a margin of profitability, and also encouraged underwriters [illegible] price deals reasonably. [illegible] the structure [illegible] the market *continues* [illegible] *favour larger* players, and [illegible] smaller houses [illegible] market.

Some have continued [illegible] flourish by specialising in a particular sector, such [illegible] Australian dollars. Meanwhile, the distinction between domestic and Eurobond [illegible] is likely [illegible] become increasingly blurred.

T.C.

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Dec 20	Dec 19	Dec 18	Dec 17	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	2934.65	2914.36	2908.09	2902.28	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	98.22	97.99	97.92	98.00	98.22 (20/12)	91.30 (16/1)	98.22 (20/12/91)	54.99 (1/10/81)
Transport	1207.03	1200.49	1208.52	1206.46	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	217.33	213.76	214.38	214.20	221.64 (2/12)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High [illegible]79 (2927.10) Low 2907[illegible]

STANDARD AND POOR'S	Dec 20	Dec 19	Dec 18	Dec 17	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	387.04	382.52	383.48	382.74	397.41 (13/11)	311.49 (9/1)	397.41 (13/11/91)	4.40 (1/6/32)
Industrials	455.98	451.55	452.98	451.95	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	30.80	30.26	30.34	30.42	32.54 (13/11)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	213.13	210.91	211.4[illegible]	[illegible]	219.37 (13/11)	170.97 (9/1)	219.37 (13/11/91)	4.46 (25/4/42)
Amex Mkt. Value	367.22	366.60	368.72	369.81	392.37 (12/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	535.76	534.53	539.84	539.70	556.17 (13/11)	355.75 (14/1)	556.17 (13/11/91)	54.87 (31/10/72)

	Dec 13	Dec 6	Nov 29	year ago (approx.)
Dow [illegible] Div. [illegible]	3.14	3.17	3.15	3.97

	Dec 18	Dec 11	Dec 4	year ago (approx.)
S & P Industrial div. yield	2.78	3.22	2.80	3.32
S & P Indl. P/E ratio	23.24	21.05	22.98	15.88

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Citicorp	(u)	8⅝	- ⅛
AT & T	(u)	38¼	+ ¼
Gen Motors	(u)	27⅞	+ [illegible]
West Elec	(u)	14	- ⅛
Philip Morris	(u)	72⅞	+ ⅛
Gen Elec	(u)	69⅞	+ 1⅛
Pepsico	(u)	33	+ ⅛
Exxon	(u)	59⅛	+ ⅛
IBM	(u)	85½	+ ⅝
Wal-Mart	(u)	53⅛	+ ⅝

TRADING ACTIVITY

† Volume Millions	Dec 20	Dec 19	Dec 18
New York SE	318.810	199.830	192.350
Amex	29.225	16.615	13.929
NASDAQ	(u)	174.579	176.781
NYSE			
Issues Traded	2,207	2,[illegible]	2,187
Rises	1,125	682	747
Falls	616	1,001	894
Unchanged	466	486	546
New Highs	124	53	40
New Lows	45	72	57

CANADA

TORONTO	Dec 20	Dec 19	Dec 18	Dec 17	1991 HIGH	1991 LOW
Metals & [illegible]	2750.30	2715.90	2720.06	2689.56	3299.99 (18/7)	2632.06 (9/1)
Composite	3340.85	3326.10	3332.62	3325.08	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1770.86	1761.55	1769.31	1763.49	1907.36 (12/11)	1686.89 (9/1)

Base values of all indices are 100 [illegible] NYSE All Common – 50; Standard and [illegible] – 10; and Toronto indices based 1975 and Montreal [illegible] Portfolio 4/1/83. † Excluding bonds. ‡ Industrials [illegible] Utilities, Financial and Transportation [illegible] closed. (u) Unavailable.

	Dec 20	Dec 19	Dec 18	Dec 17	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1573.5	1581.4	1578.5	1599.8	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	625.4	627.6	627.2	638.7	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	380.04	383.92	386.49	388.99	534.81 (16/4)	379.36 (12/12)
BELGIUM						
BEL20 (1/1/91)	1072.90	1069.80	1072.59	1076.05	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	348.01	350.21	350.51	348.71	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	774.1	769.6	768.5	768.9	1186.9 (8/4)	768.5 (18/12)
FRANCE						
CAC General (31/12/82)	457.37	464.13	465.80	466.02	503.91 (15/11)	394.88 (15/1)
CAC 40 (31/12/87)	1648.50	1684.19	1706.17	1711.73	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
[illegible] Aktien (31/12/58)	628.37	636.11	638.79	633.34	717.43 (17/6)	578.48 (15/1)
Commerzbank (1/12/53)	1774.2	1793.5	1801.7	1786.1	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1543.19	1561.77	1573.75	1560.93	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4142.61	4182.81	4177.67	4185.05	4271.34 (15/11)	2984.81 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1384.84	1367.98	1378.13	1386.81	1530.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	491.15	496.16	503.75	505.33	619.38 (3/6)	482.89 (10/12)
JAPAN						
Nikkei (16/5/49)	21777.12	[illegible]991.19	[illegible]	22756.29	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1648.16	1668.26	[illegible]	1718.78	2028.85 (18/3)	1625.80 (17/1)
2nd Section (4/1/68)	2444.93	2475.60	[illegible]	2513.72	3423.45 (18/5)	2444.93 (20/12)
MALAYSIA						
KLSE Composite (4/4/86)	540.64	541.13	540.61	[illegible]	638.02 (29/5)	478.41 (16/1)
NETHERLANDS						
CBS Tot.Rtn.Gen.(End 1983)	267.5	270.5	272.5	273.0	284.8 (3/6)	221.4 (16/1)
CBS All Shr (End 1983)	187.9	190.0	191.4	191.7	203.1 (3/6)	160.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	637.04	640.32	650.43	655.03	793.53 (26/8)	595.77 (2/12)
PHILIPPINES						
Manila Comp (2/1/85)	1110.73	1114.43	1114.58	1111.31	1185.40 (29/8)	582.44 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	390.54	391.48	392.80	395.78	432.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1160.0	1175.0	1186.0	1198.0	1469.0 (5/7)	971.0 (25/8)
JSE Industrial (28/9/78)	4105.0	4142.0	4133.0	4136.0	4364.0 (13/11)	2828.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	612.25	607.39	607.69	623.40	763.10 (6/8)	590.57 (22/8)
SPAIN						
Madrid SE (30/12/85)	230.86	231.82	234.95	236.67	289.22 (10/5)	218.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	873.7	878.5	[illegible]	892.9	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	[illegible]	713.6	718.1	719.2	769.3 (14/11)	598.4 (14/1)
SBC General (1/4/87)	[illegible]	577.9	582.9	583.8	650.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4448.04	4466.57	4457.62	4400.30	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	686.83	690.29	697.00	694.12	908.13 (18/4)	582.40 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	500.7*	500.4	505.0	506.7	521.2 (7/6)	439.1 (16/1)

**Saturday December 14: Taiwan Weighted Price: 4399.61; Korea Comp Ex. 639.72.
‡ Subject to official recalculation. [illegible] Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall – 1000; JSE 20 Industrials – 264.3 and Australia All Ordinary and Mining – 500; [illegible]

TOKYO - Most Active Stocks
Friday 20 December 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toyo Ink	7.4m	913	-45	Clarion	3.0m	1,120	-70
Nippon Steel	6.8m	365	+4	Meiji Milk	3.0m	971	-39
Osaka Gas	5.8m	565	-6	Hitachi	2.8m	875	-15
Kobe Steel	3.3m	410	-6	Sumitomo Bank	2.7m	1,880	-60
Kansai Elec	3.3m	2,780	-20	Mitsubishi Heavy	2.6m	660	-21

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. *This charge is included in the price of units.*

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd Bournemouth 0202 298422						
Cash	1	50 00	50 00	[illegible]	10 6	45246
Cncrl'd Prfmnce	5½	47 79	48.08	[illegible]	9 42	44079
Ethical	5¼	45 47	46 46	[illegible]	5 20	46948
European Growth	5¼	44.07	44.22	[illegible]	3.3	46171
Income	5½	43 62	43 71	[illegible]	8 38	41394
Intl Growth	5½	59 75	59 86	[illegible]	3.51	41395
Managed	5½	53 42	53 81	[illegible]	4 93	41396
UK Growth	5½	46 71	47 35	50 51	6 25	41397
Standard Chartered Equitor (1200)F						
69 Old Broad Street EC2M 1QS 071-280 6521						
Mngd Exempt Acc	3	181.2	183 4	141 0	3.22	41499
Do Income	3	172.9	175 1	182 3	3 22	41321
Standard Life Tst Mgmt Ltd (1200)H						
3 George St. Edinburgh EH2 2XZ 0[illegible] 393777						
Managed Acc	5¼	33 74	33 74	[illegible]	2.71	41398
UK Equity Gth Acc	5¼	45 65	46.53	[illegible]	[illegible]	41399
UK Eq High Inc Inc	5¼	27 18	27.84	[illegible]	[illegible]	41400
UK Eq High Inc Acc	5¼	30 56	31.31	[illegible]	[illegible]	40962
UK Equity Gen Acc	5¼	43.18	43.93	[illegible]	[illegible]	41401
UK Equity Gen Inc	5¼	33 79	34.38	[illegible]	[illegible]	41402
UK Larger Cos Acc F	7¼	281 8	285 8	[illegible]	[illegible]	41403
UK Larger Cos Inc F	7¼	226 9	230 1	[illegible]	[illegible]	41404
Gilt & Fxd Int Inc	5¼	27 81	27 88	[illegible]	[illegible]	41405
O'seas Larg Co Acc F	7¼	197.9	201 7	[illegible]	[illegible]	41406
Nth American Acc	5¼	32.58	32 76	[illegible]	[illegible]	41407
Far East Acc	5¼	37.79	38.75	[illegible]	[illegible]	41408
European Acc	5¼	31.69	33.32	[illegible]	[illegible]	41409
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	269.0	269.0	287.7	0.82	41410
(Accum Units) ♥	5	316.6	316.6	338.6	0.82	41411
British	5	772.6	785 6	831.2	6.24	41416
(Accum Units)	5	1269.4	1290.7	1365 7	6.24	41417
European	5	[illegible]	306 6	326 5	1.55	41418
(Accum Units)	5	[illegible]	332 4	353 9	1.55	41419
Japan	5	[illegible]	104 8	111.6	–	41420
(Accum Units)	5	[illegible]	105 6	112 5	–	41421
New Pacific	5	[illegible]	160 7	171 4	2.02	46365
(Accum Units)	5	[illegible]	165 0	176.0	2.02	47954
PEP Dec 18	5	[illegible]	143 2	151.4	3 71	47586
Mngd Equity	5	[illegible]	118 0	124 8	3.65	47586
Mngd Equity Acc	5	[illegible]	125.2	132.4	3.65	48556
Mngd Cash	5	[illegible]	97.00	97 00	10.32	47585
(Accum Units)	5	[illegible]	117.3	117 3	10.32	46867
Majority Stlg	1	[illegible]	101.03	102.04	10 17	42703
Majority Stlg Acc	1	[illegible]	108.00	109.08	10 17	46889
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
International Dec 13	0	49.82	49.82	50 27	3.40	44986

	Bid Price	Offer Price	Yield Gross	City-line
Funds in Court*				
Capital Dec 12	467.53	470.98	3 00	[illegible]
Gross Dec 12	174 61	176 02	11.08	[illegible]
High Yield Dec 12.	273.64	275.83	7 98	[illegible]
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	49.38	50.45	4.38	[illegible]
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1098 0	1185 0	–	[illegible]
Mngd Prop (Acc)	63.0	67.2	–	[illegible]
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2680 0	[illegible]	40777
Inc Gth Prp Jul 31	£1375.0	1460.0	[illegible]	40778
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Dec 18	£3814 9	3979.2	4 11	[illegible]
European Dec 18	£530.3	536	2 12	[illegible]
American Dec 18	£323.2	326 6	2.49	[illegible]
Japan Dec 18	£468 1	473.4	1.38	[illegible]
Pacific Dec 18	£128.8	132.2	2 10	[illegible]
W Midlands Sep 30	£136.50	152.30	2.48	[illegible]
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Nov 30	193.55	197.40	7.94	40825
Equity Nov 30	834 90	846.60	4.13	40826
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Dec 19	103.64		10.41	[illegible]
(Accum Units)	611.48		10.41	[illegible]
NAACIF Dec 17	40.27		9.9	[illegible]
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Dec 17	120.4	130.1	[illegible]	[illegible]
UK Small Co † Dec 17	516.8	567.9	[illegible]	[illegible]
Fixed Interest † Dec 17	109.2	114.9	[illegible]	[illegible]
US Small Co Dec 17	154 0	164 7	[illegible]	[illegible]
Managed Dec 17	104 7	112.3	[illegible]	[illegible]
Intl Bond Dec 17	118 2	124.7	10.28	[illegible]
Japan Dec 17	69.61	74 46	3.94	[illegible]
European Dec 17	82.75	88.71	1.93	[illegible]
Nth American Dec 17	105 4	113.5	1 42	[illegible]
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Dec 18	[illegible]	31.81	[illegible]	[illegible]
Euro Expt Dec 18	[illegible]	30.75	[illegible]	[illegible]

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 ... charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

N & P Life Assurance Ltd
6-7 Bedford Row, London WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	Yield Gross	City-line
Life Managed Fd.	102.7	108.1	-	41924
Pension Managed Fd.	101.1	106.4	-	41926
Life Deposit Fd	111.4	117.2	-	41923
Pension Deposit Fd.	118.3	124.6	-	41925

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, [illegible] 0462 422422
Harvester Pension Funds

	Bid Price	Offer Price	Yield Gross	City-line
Managed	164.8	173.5	-	[illegible]
UK Equity	171.0	180.2	-	[illegible]
Overseas Equity	130.5	137.4	-	[illegible]
Fixed Interest	163.4	172.0	-	[illegible]
Property	129.1	135.9	-	[illegible]
Index Linked	151.7	159.7	-	43138
Deposit	165.3	174.1	-	43139
With Profits (B)	135.2	142.4	-	43140

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	Yield Gross	City-line
Managed	334.7	352.4	-	43163
UK Equity	416.3	438.3	-	43164
Overseas Eq.	316.1	332.8	-	43165
Americas	271.0	285.3	-	43166
Far East	334.4	352.0	-	43167
Property	193.7	203.9	-	43168
Fixed Int.	273.1	287.5	-	43169
Indexed Gilt	160.4	168.9	-	43170
Deposit	188.9	198.9	-	43171
With Profit	105.8	111.4	-	44771
Pension Fund (Accum Units)				
Managed	484.2	509.7	-	43173
UK Equity	563.0	592.7	-	43175

Norwich Union Asset Management Ltd

Providence Capital Life Assc. Co Ltd

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assurance Soc.

Scottish Life Investments

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	Yield Gross	City-line
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$16.04	16.85	1.05	44759
Japan Tech	$55.65	58.44	-	44762
Japan Fund	$23.62	24.81	0.17	44763
Japan New Gen'n Fd	$17.91	18.81	-	44764
Malay Sing	$54.39	57.11	0.31	44765
Nth American	$21.91	23.01	0.58	47418
Octopus Fund	$21.53	22.61	0.88	44766
Pacific Fd	$60.13	63.14	-	44767
International Bond	$17.43	18.31	6.89	44769
Europa Fund	$13.32	13.99	-	47191
British Screen Fd	£0.85	0.90	-	47190
Tristar Warrant	$10.90	11.45	-	47419
Hong Kong	$51.33	53.90	3.09	44761
Mngd Portfolio (Stlg)	£3.88	4.18	-	47319
Mngd Portfolio (Dllr)	$10.13	10.69	-	47318
Currency Fd-Sterling	£19.81		-	44755
Currency Fd-US Dollar	$15.53		-	44754
[illegible] Fd-Deutschemark	DM41.12		-	44756
[illegible] Fd-Managed $	$46.11	48.41	-	44758
Federated International Funds Plc				
Federated Short-term US Gov't Securities Fund				
Institutional Serv Series*	$1.00		4.32	40562
Investment Series*	$1.00		4.22	40563

* Annualised Yield

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
TSB Trust Funds – Contd.						
UK Equity	5	138.63	[illegible]	[illegible]	[illegible]	[illegible]
International Equity	5	110.62	[illegible]	[illegible]	[illegible]	[illegible]
Far Eastern	5	84.19	84[illegible]	[illegible]	[illegible]	[illegible]
European	5	76.69	76[illegible]	[illegible]	[illegible]	[illegible]
Pan American	5	149.87	[illegible]	[illegible]	[illegible]	[illegible]
TSB Gilt Fund Ltd						
Quarterly Share	3	98.80	98.80	102.10	[illegible]	[illegible]
Monthly Share	3	96.64	96.64	99.85	[illegible]	[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Allied Dunbar Intl Fund Mgrs (1600)F						
Lord Street, Douglas, IoM						0624 661551
ADI Managed(z)	5	[illegible]	0.5745	0.6118	1.34	44675
ADI Mngd Currency(z)	5	[illegible]	0.4191	0.4417	5.18	44676
ADI W'wide Eq(z)	5	[illegible]	0.6461	0.688	1.12	44677
ADI Nth Amer Gth(z)	5	[illegible]	0.7912	0.8426	0.01	44678
ADI Far East (z)	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	Yield Gross	City-line
Barclays Intl Funds				
Currency Funds				
Sterling	£21.56		[illegible]	[illegible]
US Dollar	$31.36		3.4	[illegible]
Deutschemark	DM55.75		8.0	[illegible]
Yen	Y4,070		5.1	[illegible]
Managed Multicurrency	£13.01	13.47	[illegible]	[illegible]
Managed Multicurrency	$25.34	26.24	[illegible]	[illegible]
Bond Funds				
Sterling Bond	£0.411	0.426	10.6	44724
US Government Income	$100.14	101.70	6.7	44725
Asian Selection Funds				
Hong Kong	$13.093	13.782	3.0	44544
Indonesia	$7.728	8.135	2.5	44686
Korea	$9[illegible]	10.075	2.5	44687
Malaysia	$9[illegible]	10.095	0.5	44696
Philippines	$10[illegible]	11.499	2.5	44699
Singapore	$11.503	12.108	1.0	44700
Thailand	$11.782	12.371	2.5	44717
South East Asia	$10.969	11.546	3.0	44716
US Dollar Liquidity	$9.585	10.064	3.4	44875
Cater Allen Investment Management (CI)				
Gilt Income	£6.59	6.89	17.42	44830

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)(**)

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, [illegible] AND CAPITAL MARKETS

MONEY MARKETS

Pressures [illegible] sterling mount

THE fast turn of events last week in monetary policy - Germany's ½ point rate rise and the [illegible] point cut - added to the strong upward pressures already building in the London [illegible] markets.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

By Friday three months money had risen [illegible] just below 11 [illegible] cent, which, by providing important support to sterling, was helping the UK government [illegible]void a politically damaging rise in base rates.

The impact of th[illegible] Bundesbank's surprisingly aggressive rise in rates should not be overstated. UK rates were already high but this was mostly due to a large end of year liquidity shortage, caused by companies making tax payments into the Exchequer.

The drain on money out of the banking system has been so great this year that for the first time since April 1989, the Bank of England has been forced to buy longer-dated bills from the market [illegible] way [illegible] smoothing out these distorting factors.

This means these technical money market factors will keep rates will high into the new year. But as the impact of the Bank's operations gradually unwind, rates will start [illegible], which may have important implications for sterling.

There [illegible] little doubt [illegible] the Bank [illegible] been [illegible] to see these liquidity shortages underpin sterling on the foreign exchanges.

However, as they gradually come [illegible] an end next month, there will be downward pressure on market rates and one of sterling's important props will have been removed. At that stage, the Bank [illegible] resort [illegible] more strai[illegible] forward intervention to hold the pound steady in the ERM.

£ IN NEW YORK

Dec.20	Close	Previous Close
£ Spot	1.8575-1.8585	1.8342-1.8352
1 month	1.03-1.01pm	1.00-0.98pm
3 months	3.02-2.98pm	2.89-2.86pm
12 months	10.85-10.7pm	10.17-10.07p

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.20	Previous
8.30 am	91.5	91.6
9.00 am	91.4	91.6
10.00 am	91.4	91.6
11.00 am	91.5	91.6
Noon	91.5	91.5
1.00 pm	91.5	91.5
2.00 pm	91.6	91.5
3.00 pm	91.7	91.5
4.00 pm	91.7	91.5

CURRENCY MOVEMENTS

Dec 20	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.7	-20.4
U.S Dollar	61.5	-17.1
Canadian Dollar	102.4	+1.8
Austrian Schilling	110.8	+12.6
Belgian Franc	[illegible]	-1.2
Danish Krone	109.7	+3.4
D-Mark	120.4	+2[illegible]
Swiss Franc	110.2	+18.0
Dutch Guilder	115.8	+16.9
French Franc	104.2	-12.6
Lira	98.9	-19.9
Yen	139.3	+74.9

[illegible] Guaranty changes: average [illegible]80-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Dec.19

OTHER CURRENCIES

Dec 20	£	$
Argentina	18369.4 - 18417.7	9900.00 - 9910.00
Australia	2.3965 - 2.3985	1.2970 - 1.2980
Brazil	1836.80 - 1839.10	989.400 - 989.550
Finland	7.7490 - 7.7950	4.1750 - 4.1850
Greece	325.250 - 330.450	177.050 - 180.000

POUND SPOT - FORWARD AGAINST THE POUND

Dec 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8330 - 1.8650	1.8595 - 1.8605	1.02-1.00cpm	6.52	3.02-2.99pm	6.46
Canada	2.1200 - 2.1500	2.1475 - 2.1485	0.74-0.65cpm	3.88	1.96-1.82pm	3.52
Netherlands	3.2100 - 3.2255	3.2100 - 3.2200	½-¼cpm	1.17	⅞-⅝pm	0.93
Belgium	58.65 - 59.00	58.80 - 58.90	9-4cpm	1.33	19-12pm	1.05
Denmark	11.0400 - 11.1440	11.1275 - 11.1375	1⅞-1¼orepm	1.68	4¼-3pm	1.30
Ireland	1.0710 - 1.0855	1.0845 - 1.0856	0.07-parcpm	0.39	0.19-parpm	0.35
Germany	2.8500 - 2.8620	2.8525 - 2.8575	⅜-¼pfpm	1.31	⅞-⅝pm	1.05
Portugal	252.00 - 254.65	252.00 - 253.00	45-111cdis	-3.71	143-255dis	-3.15
Spain	180.80 - 182.55	181.80 - 182.10	20-25cdis	-1.48	73-85dis	-1.74
Italy	2152.40 - 2170.15	2168.25 - 2169.25	2-4liredis	-1.66	7-9dis	-1.48
Norway	11.1850 - 11.2800	11.2525 - 11.2625	¾-¼orepm	0.53	1-¼pm	0.22
France	9.7285 - 9.7910	9.7550 - 9.7650	1-⅜cpm	1.06	1⅝-1⅛pm	0.64
Sweden	10.3760 - 10.4720	10.4350 - 10.4450	3-3¾oredis	-3.66	7⅛-7⅝dis	-2.87
Japan	235.70 - 237.75	236.75 - 237.75	1⅛-1ypm	5.37	3-2⅞pm	4.85
Austria	20.06 - 20.15	20.07 - 20.10	3½-2⅛gropm	1.68	8⅛-5⅛pm	1.32
Switzerland	2.5245 - 2.5375	2.5275 - 2.5375	⅝-½cpm	2.67	1⅝-1⅛pm	2.37
Ecu	1.4010 - 1.4095	1.4060 - 1.4070	0.09-0.01cpm	0.43	0.11-0.02pm	0.18

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.85-5.80cpm. 12 Month 10.85-10.75pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8330 - 1.8650	1.8595 - 1.8605	1.02-1.00cpm	6.52	3.02-2.99pm	6.46
Ireland†	1.7105 - 1.7360	1.7350 - 1.7360	0.82-0.77cpm	5.5	2.57-2.47pm	5.81
Canada	1.1520 - 1[illegible]	1.1545 - [illegible]	0.23-0.26cdis	-2.55	0.82-0.86dis	-2.91
Netherlands	1.7230 - 1[illegible]	1.7280 - [illegible]	0.75-0.79cdis	-5.35	2.33-2.37dis	-5.44
Belgium	31.60 - 32.05	31.60 - 31.70	12.00-15.00cdis	-5.12	40.00-44.00dis	-5.31
Denmark	5.9800 - 6.0640	5.9825 - 5.9875	2.00-2.45oredis	-4.46	7.30-8.00dis	-5.11
Germany	1.5290 - 1.5585	1.5340 - 1.5350	0.67-0.69pfdis	-5.32	2.04-2.06dis	-5.34
Portugal	136.00 - 137.90	136.15 - [illegible]	105-125cdis	-10.13	305-335dis	-9.40
Spain	97.50 - 99.30	[illegible] - 98.05	62-68cdis	-7.96	195-205dis	-8.16

FINANCIAL TIMES STOCK INDICES

	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 13	1991 High	1991 Low	Since Compilation High	Since Compilation Low
[illegible] Secs.	86.92	87.10	87.28	87.22	87.34	87.38	87.94	82.17	127.4	49.18
Fixed Interest	97.27	97.37	97.47	97.48	97.49	97.39	97.49	90.59	105.4	50.53
Ordinary	1791.9	1814.7	1833.7	1846.2	1855.4	1863.9	2108.3	1806.3	2108.3	[illegible]
[illegible]	143.5	146.3	145.6	[illegible]	152.1	152.1	222.8	127.0	734.7	43.5
FT [illegible] All-Share	1132.66	1146.76	1157.33	1165.56	1170.11	[illegible]	[illegible]	[illegible]	1284.07	61.92
FT-SE 100	2358.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2679.6	2054.8	2679.6	986.9
[illegible] 100	[illegible]	[illegible]	1065.55	[illegible]	1051.15	1051.10	[illegible]	900.45	[illegible]	900.45
FT-SE [illegible] 200	[illegible]	[illegible]	1101.95	[illegible]	1105.57	1106.13	[illegible]	[illegible]	[illegible]	[illegible]

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

LONDON SHARE SERVICE

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs		33 7/16 xd	1.9	$1.00	FeMyAuNv	9.10	1503
♥Allegheny & W.		237p	-4.4	30c	–	–	–
Amdahl		787pxd	-2.5	10c	NvMrJeAu	31.1	–
Amer Cyanamid		32¼	3.6	$1.50	MrJeSeDe	27.2	–
Amer Express		9⅞ xd	-3.7	$1.00	FeMyAuNv	1.10	1584
Amer T & T		20⅞ xd	–	$1.32	FeMyAuNv	27.9	1597
Ameritech		34⅜	-2.8	$3.48	FeMyAuNv	28.3	–
BankAmerica		17 7/16 xd	-8.8	$1.20	FeMySeDe	19.11	1744
Bankers NY		32¼ xd	-8.1	$1.52	ApJyOcJa	27.9	1745
Bell Atlantic		26xd	-1.0	$2.52	FeMyAuNv	4.7	–
BellSouth		28½	-8.2	$2.76	FeMyAuNv	3.4	–
♥Bethlehem Steel		6⅞ xd	-4.7	40c	MrJeSeDe	8.2	1821
Bowater		1048p	-2.7	$1.28	OcJaApJy	6.6	1884
CPC		47xd	-1.8	$2.08	JaApJyOc	25.9	2263
[illegible] Engy		782p	-7.8	–	–	–	–
[illegible] Soup		43 1/16 xd	-.1	[illegible]	OcJaApJy	4.1	2050
[illegible]nhattan		8¼	-4.3	[illegible]	FeMyAuNv	30.10	2109
Chrysler		5 7/16 xd	-13.0	[illegible]	ApJyOcDe	11.12	2135
Citicorp		4⅞ xd	-11.4	–	–	23.10	2141
Colgate-Palm		24⅞ xd	1.0	$1.08	FeMyAuNv	22.10	2184
Cont'l Bank		488p	–	80c	DeMrJeSe	31.5	–
Dana		13⅝ xd	-5.2	$1.60	MrJeSeDe	25.11	2306
Data General		775p	-5.7	–	–	–	–
Deere		22⅝ xd	-1.4	$1.40	JaApJyOc	28.8	2778
Dun & Brad		27⅛	-2.2	$2.16	MrJeSeDe	13.2	–
Eaton		31⅞	-1.4	$2.2[illegible]	–	2.2	2410
Echlin		8½ xd	[illegible]	[illegible]	[illegible]	1.7	3046
FPL		15⅞ xd	-3.2	[illegible]	MrJeSeDe	28.11	–
Fluor		21¼ xd	[illegible]	[illegible]	[illegible]	18.12	2609
Ford Motor		13¼ xd	[illegible]	[illegible]	[illegible]	29.10	2615
Gen Elect		37 1/16 xd	[illegible]	$2.04	[illegible]	4.12	2675
♥General Host		372p	-8.4	34c	–	13.12	–
Gillette		28 7/16 xd	0.5	92c	MrJeSeDe	24.8	2695
Hasbro		28	–	24c	JeApJyOc	1.8	–
Honeywell		32⅛ xd	2.4	$1.65	MyJeSeDe	25.11	2919
Houston Inds		22⅞	-3.2	$2.96	MrJeSeDe	18.11	–
IBM		49xd	-5.9	$4.84	MrJeSeDe	6.6	2966
Ingersoll-Rand		24 7/16 xd	[illegible]	$1.32	MrJeSeDe	18.11	2979
Lockheed		24½ xd	[illegible]	$2.00	MrJeSeDe	15.2	–
Lowe's		1408p	-6.4	58c	JaApJyOc	11.7	–
Man Hanover	♦	12¼ xd	-3.0	$3.28	JaApJyOc	25.9	3279
Merrill Lynch		26⅝ xd	-5.8	$1.00	FeMyAuNv	30.4	3351
Morgan (JP)		33 7/16 xd	-2.6	$1.98	JaApJyOc	18.12	3418
Morris (Philip)		39 7/16 xd	2.8	$2.10	JaApJyOc	11.12	5161
NYNEX		42¼	-.3	$4.56	FeMyAuNv	27.6	4740

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	W'k% ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Sphere Inc.		13½	−2.8	3.87	MyAuNvFe	22.4	28.10	4278
Zero Div Pf		95½	−.8	—	—	89.5	—	5227
Warrants		3	—	—	—	0.36	—	5078
Strata		146	—	1.4	Feb	22.2	31.12	4127
Stratton		147	—	1.86	Jan	10.6	3.6	4128
TR City of Lon		107½	−4.4	4.56	FeMyAuNv	285.6	14.10	4271
TR Euro Growth	s	86	−2.3	1.0	Oct	31.2	16.9	—
Ptg Sub	s	54	—	1.8	Oct	1.95	16.9	—
TR Far East Inc		77	−2.5	4.2	ApJyOcJa	35.8	25.11	4269
Warrants		15	−5.3	—	—	1.39	—	—
TR High Inc	H	102	−1.0	6.8	ApJyOcJa	22.1	14.10	2897
Sub	0	34	—	1.5	Jul	0.98	1.7	2936
TR Pacific		67	—	0.25	Apr	44.9	11.3	4561
TR Prop		25½xd	−3.8	1.45	Jan Jul	66.1	9.12	4282
TR Smaller		134	−4.3	3.7	Mar Sep	236.8	12.8	4285
TR Technology	M	32	−11.1	1.75	Aug	14.1	15.7	4282
Stepped Pf		98	0.6	5.51	Dec Jun	39.6	11.11	4989
Zero Pf		155½	0.3	—	—	119.7	—	4988
Temple Bar	†	249	−3.5	11.9	Sep Mar	142.5	29.7	4181
6pc 2002		£114½	0.9	06%	Jan Aug	26.2	12.8	4198
Temple Em Mkts	ss	102	−2.4	0.76	Sep	60.8	29.7	4880
Warrants		60	—	—	—	3.94	—	—
1pc Cv 2001		£108½	−1.2	07%	Apr Oct	—	14.10	4928
Thornton Asian		58	—	0.5	Jan	58.8	29.4	5842
Warrants		18	—	—	—	2.00	—	5194
Thornton Pan Euro		27	—	0.07	Jun	4.05	20.5	2123
Warrants		5	—	—	—	0.18	—	—
Throg Dual Inc		99xd	—	8.75	NvApJyJa	78.1	9.12	4219
Cap		338	−2.9	—	—	11.8	—	4218
Throgmorton		45	−4.3	2.15	Aug Apr	126.9	29.7	4221
Warrants		13	−16.1	—	—	3.34	—	4222
Throg USM		101	—	3.65	Apr	17.8	11.3	5005
Warrants		18	—	—	—	0.54	—	—
Tor Inc		478	−1.4	39.0	JaMyJyDe	18.0	30.9	4257
Cap		820	−3.9	3.9	Nov	18.5	30.9	4258
Tribune		225	−2.2	5.9	Apr Aug	115.3	29.7	4302
Trust of Prop		54	—	1.38	Apr	3.89	25.2	4315
USDC		149	−1.3	4.25	May Oct	54.6	16.9	4365
US Smaller Cos		93	−1.1	—	—	18.5	—	4852
Warrants		33	—	—	—	1.39	—	4870
Value & Inc	M	64½	−2.3	3.24	Jan Jul	29.5	25.11	4386
6¼pc Cv Pf		108xd	−0.5	6¼%	Jan Dec	0.98	9.12	5806
Venturi		9	−10.0	—	—	1.08	—	—
Inc	†	39	—	3.86	May Nov	2.34	28.10	—
Cap Indexed		164	−3.5	—	—	3.28	—	—
Welsh Indl		98	—	4.5	Dec	1.19	11.11	4468
Whitbread Inv	†	624	−1.9	13.9	Jan Jul	330.6	25.11	4493
Witan	H	146½	−2.3	5.0	Apr Sep	587.2	29.7	4526
Warrants		72	−2.7	—	—	24.3	—	4527
Worth		16	—	0.21	Dec Jul	5.01	3.6	1976
Yeoman Inc		196	−.9	13.6	Dec Apr	26.1	25.11	4595
Cap		120	−7.9	—	—	31.8	—	4654

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

MEDIA

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividend paid	Last xd	City line
Abbott Mead	†	371	−3	7.8	3.0	Jun Oct	30.9	1504
Acsis	‡	2¾	12.5	0.4	—	Apr	23.7	4730
Addison		14½	—	—	—	—	29.5	1520
Adscene		78	−11.4	2.0	1.4	Apr Oct	16.9	1522
Aegis	†	125	13.6	5.85	3.6	Jan Oct	12.8	4451
9¾pc Cv Pf		87xd	1.5	09¾%	—	Jan Jul	11.12	2332
Allied Radio		19½	—	—	—	—	—	4288

MISCELLANEOUS - Cont.

OIL & GAS - Cont.

OTHER FINANCIAL

MOTORS

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

OIL & GAS

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividend paid	Last xd	City line
††Iverna West I£		49	4.3	—	—	—	—	—
††Kells Mins I£		42	5.0	—	—	—	—	3741
‡Kenmare		5	−9.1	—	—	—	—	1459
††Navan Res I£	n	18	—	—	—	—	—	1165
Northgate Expl C$	s	42	−8.7	—	—	—	10.77	—
North West Expl A$		6	—	—	—	—	—	—
Oryx Gold $		108	−13.8	—	—	—	—	3595
††Ovoca Gold I£		8	−20.0	—	—	—	—	1470
Plateau		13	−7.1	—	—	—	—	3407
RTZ		464	−7.2	19.5	1.7	Dec Jul	16.9	3898
♥Thorco Res		4¾	−2.6	—	—	—	—	—
‡Vizcaya		2½	25.0	—	—	—	—	4193
♥Western & Pac C$		23½	−4.1	—	—	—	—	—
‡Young Grp		165	—	5.2	1.8	May Oct	2.9	5000

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks which are quoted on SEAQ International
- ● "Alpha Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♣ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. z Dividend includes a special payment: Cover does not apply to special payment. E Minimum tender price. F Dividend based on prospectus or other official estimates for 1990-91. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1991. K Dividend based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1991-92. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1150 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions:
Baring Chrysalis Fund Ord & Warrants (Section. Other Financial)
Culver (Motors)

Deletions:
Anglo Scandinavian Warrants (Investment Trusts)
Finlay Packaging (Packaging, Paper & Printing)
Sovereign Oil & Gas (Oil & Gas)
Stanelco (Engineering General)

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4:00 pm prices December 20

1991 High	1991 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9½	AAR Corp	0.48	4.4	12	822	11	10⅝	10⅞	+⅛
22⅞	14½	A L Labs A x	0.16	0.8	23	377	21⅛	20¾	20⅞	-½
55¼	40⅞	AMP Inc	1.44	2.8	21	4308	52¼	50¾	52½	+⅛
68⅝	44¼	AMR			11	4143	63⅞	62⅞	62¾	
2⅝	1	ARX			1	468	1½	1⅛	1¼	
58	41½	ASA	3.00	6.6	13	550	46⅞	49¾	46	+⅜
62¼	39¼	Abbott Lab x	1.00	1.6	26	1881	u63½	62¼	63	+1¼
14⅝	9⅞	Abitibi Pr x	0.50	4.0	17	54	12¾	12⅝	12⅝	
11⅝	10⅜	ACM Gvt In x	7.26	11.4		672	11⅛	11	11	-⅛
9¾	6¾	ACM GvOpp x	1.01	10.6		35	9½	9⅜	9½	
9½	6¼	ACM Gvt Sp	1.01	11.1		636	9¼	9⅛	9⅛	-⅛
11	9⅞	ACM Gvt Se x	1.28	11.8		1039	10⅝	10½	10⅝	
9	7⅝	ACM Man x	1.08	11.8		639	u9⅛	9	9⅛	+⅛
12⅞	11½	ACM Mangd x	1.35	10.8		169	12½	12⅜	12½	+⅛
7½	4¾	Acme Cleve	0.40	6.7	13	233	6⅛	6	6	-⅛
6	3⅛	Acme Elect			3	5	4⅝	4⅜	4⅜	
40	22¼	Acuson			18	875	28½	28	28⅛	+½
20¼	14¼	Adams Expr	1.63	9.0	0	78	18⅛	18	18	+⅛
20⅛	13½	Adobe12Pf	2.40	17.9		113	13¾	d13⅜	13⅜	-⅛
9¼	4⅛	Adobe Res			42	567	4½	d4¼	4¼	-⅛
42¼	18	Ad Micro				1512	u42¼	41	41⅝	-½
17⅛	4⅝	Ad Micro P	3.00	18.0	63	1836	16⅞	16⅜	16⅝	-⅛
5⅛	2⅛	Advest Grp	0.16	3.8	6	80	4⅜	4¼	4⅜	
49⅛	31⅞	Aetna Lf x	2.76	7.0	73	217	39½	38½	39¼	+1⅜
10⅝	6⅝	Aflil A x	0.24	2.9	74	1066	8½	8¼	8¼	-⅛
20⅞	12	Ahmanson	0.88	6.2	93	825	14⅞	14⅛	14⅛	+⅛
19½	2⅞	Aileen Inc			18	466	19⅜	18	18	-¼
74¼	51⅜	Air Pr Chm x	1.56	2.3	14	2093	67	65¼	66⅝	+1¼
30	16⅝	Airbne Frt	0.30	1.4	15	445	22¼	21½	21¾	-⅛
22½	12½	Airgas Inc			109	380	u23¼	22½	23	+½
15¼	10	Airlease	1.88	15.8	6	104	11	10½	10⅝	-⅛
100½	86¼	AlaPw8.16	8.16	8.3		10	98¾	98½	98¾	

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
29¾	14¼	Xtra Corp	0.72	2.6	13	85	28¼	27⅞	28	
27⅞	21¾	Yankee Eg x	1.58	6.6	11	30	24⅜	24⅛	24⅜	+⅛
1½	⅜	Zapata			40	679	⅝	d½	½	
9⅝	5⅛	ZenithElec			2	892	6⅞	6⅝	6⅞	−⅛
16½	12	Zenith Nat x	1.00	6.5	125	379	15⅛	14⅞	15⅜	+½
6⅞	4½	Zenix Inc x	0.84	14.0		181	6⅛	6	6	−⅛
15⅛	10	Zero Corp	0.40	3.8	15	439	10½	10¼	10⅜	−⅛
41⅞	29½	Zurn Ind x	0.88	2.8	12	245	30⅞	30⅜	30⅞	+⅜
13½	10⅛	Zweig Fund	1.18	8.8		342	13⅛	12¾	13⅜	+⅛
10½	8½	Zweig Tot x	0.96	9.2		526	10⅝	10⅜	10⅝	+⅛

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked as xd early.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices December 20

NASDAQ NATIONAL MARKET

4.00 pm prices December 20

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		25	21834	26	21¾	22½	−3⅜
XL Data		31	89	10½	10⅜	10⅜	
Xoma Corp		10	1950	19	18	18¼	−⅛
Yellow Fr	0.94	18	3313	25⅝	25	25⅛	+⅜
York Rsch		61	2426	7⅞	7¼	7⅞	
ZionsUtah	1.44	9	132	40½	39	40¼	+⅞

MONDAY INTERVIEW

A Tory wet comes home

Sir George Young, the UK housing minister, talks to **John Willman**

Later this morning, Crisis at Christmas will open its doors to an expected 1,800 homeless people in London. They will be offered a warm bed, hot meals and a change of clothes for the duration of the holiday, before being turned back out on to the streets. Every year, their plight touches the hearts of millions who enjoy a comfortable Christmas in their own homes. But this year homelessness has a new urgency for many who had thought themselves secure.

The rising tide of repossessions and mortgages seriously in arrears has spread insecurity. More than a quarter of a million homes have been repossessed in the last 10 years, and a similar number of buyers are currently more than six months in arrears. With one in 10 mortgage-holders two months or more in arrears, insecurity has now become part of the experience of buying a home in Britain.

At the centre of the storm is Sir George Young, the 6ft 5in "bicycling baronet" promoted to the post of housing minister in November 1990. His task is to find a solution to a problem which chills the heart of more than 15m homeowners.

Without a solution, the Conservatives are vulnerable to the charge that they have betrayed some of the 3.7m families they had tempted into home ownership since 1979. More important, unfreezing the housing market is a necessary condition for restoring the "feel-good factor" which has evaporated for some 9m people with mortgages and which is important in deciding electoral fortunes.

Sir George manages to be optimistic about the outlook: he does not accept that repossessions will continue at the recent rate. Certainly there are more people in arrears, but he points out that this may reflect greater efforts by lenders to keep people in their homes rather than repossessing them. He is optimistic that the arrears position will improve.

"Interest rates have come down 4½ percentage points in the past 15 months and average earnings have gone up about 8 per cent. Most people in work with a mortgage are much better off now. If people have coped up till now, they'll probably survive the next 12 months as the benefit of the lower rates feed through."

He expects the measures agreed with the lenders last Thursday to prevent the repossession of as many as 40,000 homes over the next year. He welcomes the fact that it has been done with minimal amounts of public money – £50m extra on housing benefit for homeowners whose mortgage payments are converted into rent.

Most of the money to keep people in their homes will come from the lenders and insurers, a mix of public and private money he is keen to promote in other areas of housing policy. And he hopes that the temporary cut in stamp duty on house purchase will restore confidence, tempt buyers back and encourage builders to resume work.

Sir George does not believe that the rising repossessions have laid bare a huge crisis in Britain's housing system.

"The majority of people are better housed than they have ever been," he says. "The condition of the housing stock has risen enormously over the past 20 years. For most people housing is not a problem."

Sir George has made clear his desire to tackle the problem of the homeless. Immediately after taking up his post last year, he launched a series of initiatives to provide temporary accommodation and training for about 1,000 people sleeping rough in central London. Some 1,300 beds have been provided out of a target of 3,000, and Sir George reckons that the number sleeping rough in the capital was down to around 400 last week – many of them people who resist abandoning their lifestyle on the streets.

Those sleeping rough are only the most visible sign of homelessness, however. About 150,000 families are officially homeless, 50,000 of them living in bed and breakfast accommodation. Sir George wants to see many of the 600,000 empty homes in the UK made available to them, by using housing associations as managing agents.

"It would take the hassle out of renting for the owner: the housing association finds the tenant, guarantees the rent, rehouses the tenant when the owner wants the property back and returns the property in its original condition. It's a very good deal for the owner which also averts problems such as squatting."

Sir George has even more ambitious hopes: such a regime could underpin a huge increase in the availability of affordable housing by tempting the institutions back into the rented market: "Bricks and mortar earning market rents, professionally managed and underpinned by housing benefit. If the institutions could be persuaded to make property for rent part of their portfolios, that would restore a source of investment lost in the last 80 years."

He does not neglect the role of the public sector in building homes for rent, however. After a decade in which the number of new social homes – those built by councils and housing associations – had dwindled to about 20,000 a year, he has succeeded in winning Treasury funds which will build three times as many.

But he hopes that far more will be built in other ways – for example by local authorities using the planning system to make private developers provide affordable housing for low-income families on council waiting lists or in temporary accommodation.

"It's a very Conservative approach to meeting housing needs – requiring the private sector to build the homes, rather than expecting the taxpayer to do it. It also produces better balanced developments, with social housing mixed in with owner-occupiers. That produces a society with fewer barriers in it, which is what my party believes in."

If this all adds up to a more coherent housing policy than it appears from the outside, it may be because Sir George has been thinking about these issues since 1968 when he was elected to Lambeth, south London, council. He served on the housing committee (along with another up-and-coming Conservative, Mr John Major), ending the building of tower blocks, and switching to a policy of piecemeal improvements and upgrading.

It was probably his experience of life in Clapham which helped him acquire a reputation as a man with a common touch, despite his patrician background. He famously prefers beer to claret and rides a bicycle to work rather than driving a ministerial car.

He and his wife Aurelia fostered a series of black children, and their own children – two sons and two daughters – attended the local state schools. He joined the Lambeth community relations council, experience which came in useful when he was given ministerial responsibility for race relations in 1982 (an appointment dubbed by one right-wing backwoodsman as "disgraceful and appalling").

In his early career in government as a junior health minister, he robustly tackled tobacco and alcohol abuse. His subsequent translation to the environment department was seen by some as evidence of the displeasure he had incurred among powerful Conservative supporters whose interests he had attacked.

By 1986, he had acquired the doubtful honour of being the longest-serving junior minister, and was widely tipped for promotion in an autumn reshuffle. Instead he was dropped altogether and used the opportunity to air his criticisms on a range of issues.

Together with Mr Michael Mates, he organised the almost successful revolt against the poll tax. And he voted consistently against the government over its refusal to increase child benefit in line with inflation.

His return to office as a whip in the summer of 1990 was seen by some as an attempt by Mrs Thatcher to heal rifts within the Conservative party, by others as an astute move to silence an effective critic. Within six months, however, she was gone, and he was back at the environment department as a fully-fledged minister – and stepping into the repossessions whirlwind unleashed by the recession.

Sir George is well-qualified for the task of dealing with the housing problem. Whether his solutions can have the necessary impact before the country goes to the polls remains to be seen. But as the archetypal one-nation Tory, his wringingly wet interest in social policy could now prove useful to a post-Thatcher Tory party.

'Repossessions will not continue at the recent rate'

PERSONAL FILE

- **1941** Born in Oxford. Educated Eton and Christ Church Oxford.
- **1966-67** National Economic Development Council.
- **1967-69** Kobler research fellow, University of Surrey.
- **1969-74** Economic adviser to the Post Office Corporation.
- **1974** MP for Ealing Acton.
- **1976-79** Opposition whip.
- **1979-81** Junior health minister.
- **1981-86** Junior environment minister.
- **July 1990** Government whip.
- **Nov 1990** Housing minister

The most romantic night of the year

The trappings are all here. The store window Christmas trees with gaily-wrapped presents piled high, the background hum of Muzak carols in shopping arcades, the occasional Santa loitering on a street corner, and the seasonal re-release on CD single of our Bing and his White Christmas.

But the flash of tinsel and clink of coins deceive. A close examination of a traditional yuletide card – small Santa and cute reindeer in snowy scene – is disorienting. The Christmas message, and it's not meant to be funny, goes: "Remember today is the most important day of the year. What did I just say? I forget."

The ornamental use of English is meant to be meaningless in Japan and, as there are no compelling religious reasons for a basically Buddhist country to get excited about December 25, card makers can write what they like without much fear of offending the audience.

The same goes for Christmas wrapping. A shaving gift set comes with holly-patterned wrapping paper coloured by a mix of strangely abstract sentiments: "The season's hoary-headed frosts... an odorous chaplet, as in mockery."

Christmas, like the English language, is what you want it to be in Japan. The absence of tradition and the absence of Christians (1.2 per cent of the population) have allowed the country to fashion the celebration into the image of its choice. The result is, depending on which side of the Christmas tree you stand, either an "odorous mockery" of the spiritual heritage or one of the world's more polished representations of the modern commercial Christmas.

For young Japanese, Christmas Eve has become the most romantic night of the year, a feeling enhanced by the misinterpretation of certain Christmas carols. "Silent Night", with its gentle melody and ever-so-soft voices, is often thought to be a sensuous song, creating just the right atmosphere for a young couple to cuddle-up close. It is at such magic moments that a loving boyfriend will hand over a heart-shaped Tiffany pendant and a pair of diamond earrings.

If the man is truly romantic, the couple will eat Italian food, take in a special Christmas Eve show by a crooner, and spend the night in a waterfront hotel at Yokohama, with the twinkling lights of berthed ships in the distance. The Yokohama Intercontinental has been fully booked for the night of December 24 since September at Y80,000 a night for the cheapest suite. The only complication is that Japanese have to work on Christmas Day, and so the fragrant but expensive flavour of the big night evaporates quickly in the stale air and impersonal crush of a crowded commuter train.

LETTER FROM

TOKYO

Worse than forgetting to book ahead is to spend Christmas Eve alone, or so young Japanese are led to believe. An advertisement for a matchmaking service in a serious magazine declared that "no woman wants to spend this special night by herself", and invited single men to avoid the Christmas rush by ringing the agency immediately. The sadder consequences of the successful campaign to turn Santa into Cupid are that the solitary are made to feel unwanted and that the young rich have found the occasion useful for sometimes grotesque displays of wealth.

Christmas has also merged with the traditional corporate end-of-year gift giving and party season, when the department head takes the office staff out for what is supposed to be a rollicking good "bonenkai", literally, "forget the year", celebration at a yakitori restaurant, sharing chicken on a stick.

Until the recent past, Japanese men presumed that their secretaries would pour the beer and laugh at their jokes, funny or not, but television panel programmes are warning that times have changed and that revellers should be wary of "seku hara", that is, sexual harassment. The Shukan Gendai magazine this week published an amusing cartoon showing an apparently meek and polite secretary pouring beer into the lap of her startled department head.

Momentum for gift-giving is provided by the end-of-year bonus, equivalent to three or more months' salary for many workers, and a tempting target for those keen to turn Christmas into a present-buying extravaganza. At this time of year, companies send out fancily packaged fruit juice sets and calendars, while family members tend to give each other money in ceremonial envelopes on New Year's Day, when the clan will visit the local shrine or temple in the hope of a prosperous year ahead.

Retailers have recognised that there is clearly an opening for the popularisation of the Christmas stocking, if not for a large Santa sack of high-priced toys. By encouraging the "new" tradition of presents under the tree, and suggesting that husband and wife owe each other a little something on the festive morn, department stores are discovering that Christmas cheer does have its rewards.

But the real restraint on the burgeoning of Christmas in Japan is that it is not a holiday. The average employee has trouble feeling festive when he or she rises at 6.30 and has the prospect of an uncomfortable 90-minute commute before another productive day at the office and a box lunch. As it says on the gaudy wrapping paper: "Here's flowers for you, the Marigold that goes to bed with the Sun, and with him rises weeping."

Robert Thomson

JOTTER PAD

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.21	16.40	16.40
0100	19.45	16.53	16.53
0130	19.45	16.53	16.53
0200	19.45	16.53	16.52
0230	19.30	16.75	16.84
0300	19.30	16.75	16.84
0330	17.21	16.45	16.45
0400	17.10	16.43	16.43
0430	17.05	16.39	16.39
0500	17.05	16.39	16.39
0530	17.05	16.43	16.43
0600	17.07	16.47	16.47
0630	17.09	16.52	16.52
0700	17.16	16.55	16.55
0730	17.15	17.57	19.45
0800	18.31	17.79	19.70
0830	19.31	18.65	20.51
0900	19.32	18.71	20.64
0930	19.45	22.99	25.06
1000	19.68	27.41	29.63
1030	20.74	27.41	29.63
1100	20.74	27.41	29.63
1130	20.74	27.42	29.63
1200	20.74	27.42	29.64
1230	20.74	35.65	37.99
1300	20.74	35.62	37.93
1330	19.45	22.95	25.01
1400	19.45	21.89	23.90
1430	17.60	18.54	20.46
1500	17.60	18.54	20.46
1530	17.50	17.05	17.05
1600	17.78	19.01	21.09
1630	20.74	37.91	42.65
1700	21.90	49.45	55.65
1730	21.90	50.40	56.30
1800	21.90	40.62	45.12
1830	21.65	28.24	31.72
1900	21.65	18.81	20.75
1930	21.65	18.72	20.64
2000	20.65	18.49	20.40
2030	20.40	18.34	20.26
2100	19.32	18.34	20.26
2130	19.31	18.34	20.26
2200	19.31	16.61	16.61
2230	17.26	16.54	16.54
2300	17.09	16.49	16.49
2330	17.09	16.43	16.43
2400	17.07	16.44	16.44

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.59/MWh becomes 1.659p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the price paid to generators for electricity sold to the pool. It is determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

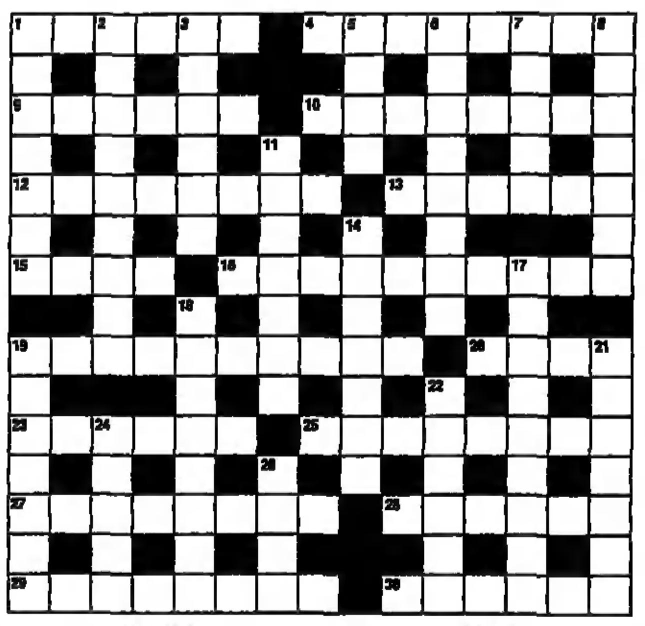
1/2 hour period ending	Provisional Price for Trading on 22.12.91: Pool purchase price £/MWh	Final Prices for Trading on 24.11.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.19	16.88	16.88
0100	18.01	17.00	18.89
0130	22.60	17.48	19.07
0200	22.60	17.48	19.07
0230	20.92	17.00	18.86
0300	18.80	17.00	18.56
0330	18.60	16.92	16.49
0400	17.11	16.45	16.45
0430	17.05	16.45	16.45
0500	17.00	16.39	16.39
0530	17.01	16.35	16.35
0600	17.00	16.35	16.35
0630	17.00	16.34	16.34
0700	16.99	16.34	16.34
0730	16.98	16.34	16.34
0800	17.01	16.34	16.34
0830	17.01	16.36	16.36
0900	17.11	16.34	16.34
0930	18.71	16.45	16.45
1000	18.71	16.75	18.32
1030	18.71	16.93	18.51
1100	19.20	17.25	18.84
1130	19.45	17.25	18.87
1200	19.91	17.25	18.83
1230	20.60	17.26	18.83
1300	20.60	17.26	18.83
1330	20.60	17.25	18.82
1400	20.60	17.25	18.82
1430	17.39	17.25	18.82
1500	17.13	16.44	16.44
1530	17.19	16.44	16.44
1600	17.14	17.25	18.82
1630	20.60	17.25	18.82
1700	22.27	17.26	18.88
1730	23.00	18.82	20.44
1800	23.00	23.00	24.75
1830	23.00	23.00	24.75
1900	23.00	23.00	24.75
1930	22.27	23.00	24.73
2000	18.91	18.82	20.42
2030	19.43	17.25	18.81
2100	19.43	17.25	18.81
2130	19.43	17.26	18.81
2200	19.43	17.25	18.81
2230	19.36	16.75	18.51
2300	17.12	16.45	16.45
2330	17.05	16.39	16.39
2400	17.05	16.40	16.40

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.59/MWh becomes 1.659p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the price paid to generators for electricity sold to the pool. It is determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

CROSSWORD

No.7,730 Set by DANTE



ACROSS

1 Casually raise the volume? (6)
4 Highest score? Fine (3,5)
9 ADC set to review military trainees (6)
10 Only men go in at such a meeting (8)
12 Female guard of honour (8)
13 Foreign food provided by Sarah, a French friend (6)
15 Pat her on the knee (4)
16 *Be grateful for rise in value* (10)
19 To get cheaper travel, he avoids paying (3,2,5)
20 It can't be passed in silence (4)
23 Cowardly way to voice protest (6)
25 French officials with authority over the lower classes (8)
27 Relief from hammering (8)
28 Somehow undo the French knot (6)
29 Aid to look-out on the bridge (5,3)
30 Upper Class taken in by government figure (6)

DOWN

1 Vehicle of half-crazy proposer (7)
2 Early defence in court (3,6)
3 One taking an exam – a very easy one (6)
5 They look round for bears without fear (4)
6 Bird takes fruit by the door (8)
7 Letter that he takes to heart (5)
8 *The loin chop is a best seller* (3,4)
11 Remains within easy reach of Naples (7)
14 In which a performer has to take a bow (7)
17 Battle to get a gangleader on trial (9)
18 Cyprus, one resolved to be the centre of attraction (8)
19 Plant making two light carriages (3,4)
21 Possibly a Sûreté stiff? (7)
22 On the surface, a delivery vehicle (6)
24 Nothing turns up in the border (5)
26 Area of land is left diminished by foot (4)

The solution to the Christmas Crossowrd will be published with names of winners on Saturday January 4.

Fancy footwork could falter

The campaign for the next French presidential election has just been kicked into noisy life. This fact may have escaped general notice, because the next presidential election is not due until 1995. Moreover, on a different plane of purely French reality, every single political event in France is always measured for its implications for the next French presidential election; this is the consequence of an idiosyncratic top-down constitution, which gives the president powers which are both unusually large and unusually ill-defined. In that sense, the next French presidential election is always with us.

This ever-present campaign has been powered into a higher gear by the recent European Community agreements at Maastricht. These agreements will have to be ratified; but first the government must secure a revision of the constitution, to give the vote in French local elections to residents from other Community countries. This reform will involve a testing parliamentary procedure, or a popular referendum, or possibly both. In the process, due in the second quarter of next year, the French will be plunged into a passionate argument about the future of Europe, the future of France, and the future of François Mitterrand, though not necessarily in that order.

The voters will have to go through not one debate, but two. Mr Mitterrand has already given notice of a second constitutional reform, in the second half of the year, to strengthen the powers of parliament and shorten the seven-year term of the presidency. In addition, the parliament may also be asked to change the voting system for general elections, so as to introduce an element of proportional representation.

IAN DAVIDSON on Europe

True to form, Mr Mitterrand is still holding his cards very close to his chest. He has not revealed exactly how he will play either of these reform plans. But he will obviously try to use these campaigns to rebuild his sagging popularity and that of his beleaguered government, and to out-manoeuvre the conservative opposition. It seems clear that in at least one of the two campaigns he will appeal directly to the electorate in a referendum.

Of course, a referendum can be a risky exercise, especially for a political leader whose authority has plunged to an all-time low. Bankers may admire the rigour of French economic policy and the fall in French inflation; but voters are more conscious of unemployment, which is high and rising. When the French are confronted with the ballot paper, they may answer "no" to the questioner, whatever they feel about the question. In 1969 President de Gaulle held a referendum, the only real purpose of which was to appeal for a personal vote of confidence after the disorders of May 1968. So the people said "no", and Mr de Gaulle resigned.

None of Mr Mitterrand's potential questions will be superfluous, however, and both of his chosen battle-grounds ought to be favourable for a presidential victory. In the first place, French opinion has long supported the European Community, and the Maastricht agreements can plausibly be presented as a success for Mr Mitterrand's strategy. Many people blame his unpopularity on the fact that he has been there so long: 10 years already, and another four to go. And everybody agrees that public respect for the political system, now very close to zero, can only be rebuilt if the role of the parliament is in some way restored.

Now it would be entirely in character for Mr Mitterrand to try some fancy footwork, to keep the opposition on the hop. He has reserved his right to stay to the end of his present seven-year term; or to go after five years; whichever he so chooses. He has not explained how the powers of parliament are to be increased; above all he has given no glimmer that it might be at the expense of the powers of the presidency.

If he tries to be too clever, he may shoot himself in the foot. But if he plays the game fairly straight, France will have a sustained constitutional debate on the future of the nation state and its relations with the Community.

Now in Britain, the nation-Community debate seems to be discussed solely in terms of a simplistic one-way transfer of powers from the nation to the centre. The idea that this transfer requires accompanying reforms in the machinery of the member state appears not to be considered. There seems to be a self-satisfied assumption on the part of the authorities that existing constitutional arrangements are as good as can be imagined, and must remain unchanged.

Throughout the Community the nation state will, of course, continue to be the essential stage for political action and mediation. But it is self-evident that in none of them are existing constitutional arrangements as good as could be imagined; and it is inherently illogical to pretend that they can be unaffected by the new world post-Maastricht. The longer the British cling to the paradigm of an imperial and centralised state, the more certain it is that they will continue to have a difficult relationship with the Community.

By contrast, the French are acutely conscious that their inherited paradigm, of a Jacobin, centralist, universalist, interventionist, and assimilationist state is quite unsuited to the pluralist world of the Community. They are also aware that it is no longer working very well in domestic terms, and it is almost fashionable to talk of the need to move on to the Sixth Republic.

The irony of the planned presidential-parliamentary reform is in its timing. Mr Mitterrand was largely able to determine the speed and the objectives of the Maastricht negotiations because his presidential authority was untrammelled by the National Assembly. If he had been obliged, like Mr John Major, to seek parliamentary approval beforehand, he might not have been able to push the negotiations through to their conclusion.

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs	11	● Smith & Williamson Secs	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
Cl Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.